

## **Norwood Pradeshiya Sabha - 2024**

### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Norwood Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, for the year then ended and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and sub-section 10 (1) of National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report

In my opinion, the financial statements give a true and fair view of the financial position of the Norwood Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices.

#### **1.2 Basis for Un Qualified Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of my report. I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my Un Qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of National Audit Act No.19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements to be prepared of the Sabha.

#### 1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- An understanding of internal control relevant to the audit was obtained in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pradeshiya Sabha's internal control
- Evaluate the structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.\

The scope of the audit also extended to examine as far as possible and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records, and other documents are in effective operation.
- Whether the pradeshiya Sabha has complied with applicable written law, or other general or special discussions issued by the governing body of the company
- Whether the pradeshiya Sabha has performed according to its powers, functions and duties and

- Whether the resources of the pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Report on the other legal requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

## 1.6 Non- Compliances

### Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Council	Recommendation
<b>Pradeshiya Sabha Act No. 15 of 1987</b>			
(a) Section 24 (1) (a) (b)	Arrangements had not been made to publish 71 roads owned by the Sabha in the government gazette.	The necessary steps will be taken to gazette roads in the future.	Action should be taken to publish Sabha-owned roads in the Gazette.
(b) Sections 47 and 52	Necessary action had not been taken regarding 13 unauthorized constructions identified during the year under review.	The necessary steps are being taken to take legal action.	Legal action should be taken regarding unauthorized construction.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 23,000,429 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 62,920,319 in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue According to the information presented by the Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

	Source of Revenue	2024	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	2023	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December-
			Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes		4,880,000	2,851,694	2,910,162	187,800	3,580,000	3,531,098	3,534,717	246,268	
(ii)	Rent		15,036,645	14,297,705	13,533,537	3,220,413	11,988,450	10,265,599	9,856,210	2,456,245	
(iii)	License Fees		4,350,500	2,946,842	2,946,842	-	2,900,000	3,482,364	3,482,364	-	
(iv)	Other revenue		23,959,080	23,734,777	28,571,934	11,788,022	16,000,000	16,558,265	8,859,411	16,625,179	
			48,226,225	43,831,018	47,962,475	15,196,235	34,468,450	33,837,326	25,732,702	19,327,692	

### 2.2.2 Performance in Revenue Collection

#### (a) Rates and Taxes

##### Audit Observation

As at the end of the year under review, there was an assessment arrears balance of Rs. 187,800, out of which Rs. 136,687 from 29 units exceeding Rs. 2,000 per unit had not been recovered by performing in accordance with Section 158 of the Pradeshiya Sabha Act, No. 15 of 1987.

##### Comments of the Recommendation Sabha

Further actions are being taken. Arrears of revenue should be recovered promptly.

#### (b) Meat Stalls rent

##### Audit Observation

As at the end of the year under review, there was a balance of Rs.3,074,318 in arrears of meat stall rent. Therein, Rs. 1,771,858, which was due more than 1 year and less than 5 years, and Rs. 1,302,460, which was due more than 5

##### Comments of the Recommendation Sabha

Further actions are being taken. Arrears of revenue should be recovered

years, had not been taken in accordance with Section 159 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

**(c) Court fines and Stamp duty**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The court fines and stamp duty due from the Chief Secretary of the Provincial Council and other authorities as on 31 <sup>st</sup> December of the year under review were Rs.715,736 and Rs.10,595,001 respectively.	The schedules will be submitted and fees will be collected.	The arrears should be recovered.

**3. Operational Review**

**3.1 Fulfilment of functions assigned by the Act**

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
<b>(a) Public health</b>		
Even though it did not meet the required standard quality, according to the water sample tests conducted during the year under review at 03 water sources owned by the Sabha, drinking water was distributed to the public without purification.	The water is being purified by conducting regular water sample testing.	Water should be purified and drinking water should be distributed.
<b>(b) Solid waste management</b>		
Approximately 20 tons of garbage collected monthly was dumped in the garbage yard without any management, causing an unfavorable impact on the environment and public health.	Action will be taken in the future.	Solid waste disposal should be managed properly.
<b>(c) Abandoned Tasks</b>		
Although, the Castletree Library Building Development Project should have been	An estimate for the remaining work will be	Project work should be completed within

completed on 10th December 2021 with an estimated cost of Rs. 900,660, it had not been completed by the end of the year under review and Rs. 640,563 had been spent so far. Even though the project has been in progress for 3 years, no legal action has been taken or any steps have been taken to complete the work as per the agreement.

prepared and the remaining work of the project will be completed.

the stipulated time and if not, action should be taken as per the agreement.

### 3.2 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Only fixed fees had been charged without installing water meters for 227 water consumers in three water projects belonging to the Sabha.	Action will be taken to install water meters.	Water meters should be installed and fees should be charged.
(b) Although the crew cab vehicle owned by the Sabha was handed over to a private institution for repairs on 24 <sup>th</sup> December 2022, the repairs had not been completed and taken back, by end of the year under review.	Payments will be made and take back, after the Governor's approval.	The repairs should be completed and put into use.
(c) As per paragraph 04 of the Local Government Commissioner's Circular No. 2016/3 dated 17 <sup>th</sup> March 2016, 24 stalls owned by the Sabha were allowed to commence business from June 2024 without having to assess the rent and enter into an agreement with the lessees.	The agreement will be entered upon after receiving the valuation report.	After signing the agreement, the shop premises should be leased out and rent collected.
(d) The investigations under Financial Regulation 104(4) regarding the cab accident that occurred on 01 July 2019 had not been completed, the responsible parties identified and the damages recovered by the end of the year under review.	The investigations have been completed but the damage has not been assessed and further investigations will be carried out by the Local Government Commissioner's Office.	The investigation should be completed and the damages should be recovered.
(e) Although in terms of clause 2.2 of the Central Local Government Commissioner's Circular No. 2020/06 dated 28 <sup>th</sup> September 2020, the surplus funds of the Sabha can be used for revenue generating projects, properties development projects of Sabha or projects providing public amenities to the	The surplus funds will be used for development activities in the future.	Surplus funds should be used for regional development.

majority of the people, the Sabha had invested Rs. 20,000,000 in fixed deposits.

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
A double cab vehicle owned by the Sabha had been parked idle on the Pradeshiya Sabha premises for over 4 years without being repaired and unable to be used.	Action will be taken to refer it for repair.	Action should be taken to utilize or dispose of assets.

### 3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
<b>Unclaimed Assets</b>		
Steps had not been taken to take over the ownership of 29 lands and buildings and 04 vehicles used by the Sabha	Works are being done to takeover	Steps should be taken to take over the ownership of the assets owned by the Sabha

### 3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
The performance of the Sabha and the efficiency in delivering public services remained at a low level due to the existence of 61 vacancies in 16 posts including the posts of Secretary, Librarian, Revenue Inspector, Work Inspector, Electrician, Crematorium Operator, Development Officer, Technical Officer, Technical Assistant, Management Services Officer, Office Assistant, Field Worker, and Driver in the approved staff of the Sabha.	The Chief Secretary has been informed in order to fill the vacancies.	Vacancies should be filled and public services should be maintained efficiently.