

Kandaketiya Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kandaketiya Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of changes in Net Assets, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Kandaketiya 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 Qualified Opinion

I expressed qualified opinion regarding financial statement on the matters described in paragraph 1.6 of this report.

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 the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 practices, and for such internal control as management determine 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 financial reporting process.

As per Section 16(1) of the 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.

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 exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 of information 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 directions issued by the governing body of the pradeshiya sabha.
- Whether it has performed according to its powers, functions and duties, and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

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

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

1.6 Audit Observations on the preparation of Financial Statements

Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Financial position as at 31 st December of the year under review, the total value of the buildings was overstated by Rs. 824,321.	The committee report stated that the value of the buildings had been overstated and instructions were given to correct it.	The accounts must be corrected.
(b) Rs.71,536 deposits received in council's bank current account in 2023 and 2024 had not been identified and accounted for.	Retired From an officer the balance of the disaster loan due to the government is Rs. 63,840. The remaining amount of Rs. 7,696 will be identified and action will be taken to correct it in the future.	-Do-
(c) During the year under review, the value of Rs. 28,284,719 had not been capitalized for 02 industries completed with the Local Development Support Project (LDSP) funds.	That steps will be taken to include it in the 2025 financial statement.	-Do-
(d) The stationery expenditure for the year under review was Rs.166,497 was under-accounted and the cost of water equipment was over-accounted for by Rs. 178,400.	It will check and work to correct it.	The accounts must be corrected.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Non-compliance with laws, rules, regulations and management decisions as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka According to 134 (3)	Internal audit reports had not been submitted to the Auditor General for over 05 years.	That internal audit reports will be submitted to the Auditor General as soon as possible.	Reports according to financial regulations must be submitted to the Auditor General.

2. Financial review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 6,308,822as compared with the excess of revenue over recurrent expenditure amounted to Rs. 538,310 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

By the Council Secretary the information on estimated revenue, billed revenue, collected revenue and arrears of revenue submitted for the year under review and the previous year is shown below.

	Source of Revenue	Estimated Revenue	<u>2024</u>		Total Arrears as at 31 December	<u>2023</u>		Total Arrears as at 31 December
			Revenue billed	Revenue collected		Estimated Revenue	Revenue billed	Revenue collected
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and taxes	5,413,740	5,681,270	4,671,925	1,009,345	3,013,740	2,595,023	2,532,520
(ii)	Rent	9,307,000	4,000,995	5,651,445	(1,650,450)	5,670,000	265,217	4,096,658
(iii)	License fees	1,171,100	716,170	720,670	(4,500)	614,600	633,229	633,229
(iv)	Other income	7,001,000	5,648,965	5,701,899	(52,934)	12,726,780	4,755,983	4,755,983
		-----	-----	-----	-----	-----	-----	-----
	Total	<u>22,892,840</u>	<u>16,047,400</u>	<u>16,745,939</u>	<u>(698,539)</u>	<u>22,025,120</u>	<u>8,249,452</u>	<u>12,018,390</u>
		=====	=====	=====	=====	=====	=====	=====

2.2.2 Court fines and stamp duty

Audit Observation	Comments of the Council	Recommendation
Court fines of Rs. 7,094,486 and Fees of stamp duties Rs. 1,911,131 that were due to be received from the Chief Secretary of the Provincial Council and other authorities as at 31 st December of the year under review had not been collected.	The necessary documents have been submitted to the Department of Local Government to collect court fines and stamp duty due to this office until 31.12.2024.	Arrears of court fines and stamp duties should be collected.

3. Operational review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) According to a survey conducted in the year under review regarding the street lamps installed within the council area, 148 locations where street lamps were installed were identified. Of these, 45 percent, or 67 street lamps, had been non-functional for more than a year.	Work has been carried out to install new electric lamps for 67 street lamps that were in a non-functional condition.	Street lights should be installed after identifying the need.
(b) In the year 2023, 233 light bulbs were purchased and installed in street lamps in the area under the Local Development Support Project (LDSP) at a cost of Rs. 233,000. Out of the installed light bulbs, 152 were in a non-functional condition, there were issues regarding the quality of the light bulbs purchased and the proper installation of the light bulbs issued from the warehouse.	Since the warranty period of the street lamp bulbs had expired while they were in storage, there was no possibility of replacing the bulbs.	Responsible and standard as required Street lamp bulbs must be purchased and installed.

- (c) By the council A fixed deposit of Rs. 3,330,255 for a period of 05 years from 08 February 2023 to 07 February 2028 was deposited at a State Bank branch in Kandaketiya at an interest rate of 25.5 percent, and on 18 April 2023 the above fixed deposit was withdrawn and the same amount was deposited as a new fixed deposit at the same bank branch at an interest rate of 17 percent on the same day. In this way, the council had lost interest income of Rs. 1,415,360 due for a period of 05 years due to the transfer of the fixed deposit and the re-initiation of a new fixed deposit at a lower interest rate.
- As per a decision in the 13/01 decision book dated 10th April 2023, when the fixed deposit, which was at an interest rate of 25.5 percent, was renewed, the interest rate had been reduced to 17 percent. Since the balance of the fund was not sufficient to carry out the activities of the council, it was decided to remit the monthly interest of the fixed deposit account to the current account in order to carry out essential activities.
- An investigation should be conducted into the loss suffered by the council fund and action should be taken in accordance with its findings.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Rs. 87,784 was to be paid as surcharge due to non-payment of Employees' Provident Funds for the period from August to November 2020 on the due date.	The Local Government Department is working to initiate an investigation into the surcharge of Rs. 87,784.	The surcharge amount should be recovered from the responsible parties.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
Estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review when compared with the actual income and expenditure for the year, there were variations ranging from 41 percent to 86 percent in 05 revenue items and from 23 percent to 722 percent in 06 expenditure items. Accordingly, the budget document had not been used as an effective control instrument.	That several revenue heads have been inadvertently shifted during revenue collection., that it has also occurred due to the transfer of expenditure heads and payments for essential matters, and that steps are being taken to correct such shortcomings.	Efforts should be made to minimize variations.

4.2 Environmental Problems

Audit Observation	Comments of the Council	Recommendation
The Kandaketiya Pradeshiya Sabha collects tons of waste annually within the council area nearly 25 tonnes of biodegradable and non-biodegradable waste had been dumped in pits in the Mahaweli Forest Reserve in the Buddhankotte area for over 5 years without being separated. The ingestion of the accumulated polythene and plastic had also posed a threat to the lives of wild animals living in the reserve.	Problems had arisen due to the lack of suitable land for proper waste disposal. Proposals have been submitted to the Regional Coordination Committee in this regard.	Garbage should be disposed of properly.