

Kurunegala Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kurunegala Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, 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 Kurunegala 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

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	As of December 31st of the year under review, the value of the incinerator gas stock, which was Rs. 157,372, had not been accounted for and 11 stock items, worth Rs. 32,040, had been over-accounted for.	That will be corrected in the 2025 financial statements.	Correct values must be accounted for.
(b)	Capital aid received in the amount of Rs. 11,464,805 for the year under review had been credited to the debtor's account without being accounted for under capital aid.	That the journal entries for the year 2025 will be corrected in the financial statements.	Accounts must be prepared correctly.
(c)	As at 31 st December of the year under review, there was no amount due for the implementation of the annual Information and Communication Technology plan, and the balance of Rs. 3,638,135 of the amount allocated in the annual budget and Rs. 3,800,000 of the amount allocated in the annual budget for networking the support libraries had been recorded as creditors.	The correction will be made in 2025.	Should not be accounted for as a creditor without any obligation.
(d)	As at 31st December of the year under review, Rs. 2,500,000 had been recorded as creditors, although there was no obligation to purchase chairs for the council auditorium.	Rs. 2,500,000 has been allocated for auditorium chairs as of December 31, 2024 in the year under review and steps will be taken to purchase it in 2025.	Should not be accounted for as a creditor without any obligation.

(e)	The operating expenses and creditors for the year were increased by that amount by accounting for Rs. 5,000,000 allocated in the annual budget for the purchase of a garbage tractor in the year 2024 as creditors.	Preliminary work is underway to purchase a garbage tractor for the year 2025.	Should not be accounted for as a creditor without any obligation.
(f)	Fixed deposit interest income for the year under review was overstated by Rs. 11,755 and fixed deposit interest receivable was understated by Rs. 148,023.	That will be corrected in the 2025 financial statements.	Correct values must be entered into the accounts.
(g)	As at 31 st December of the year under review, employee loans of Rs. 619,225 had been over-accounted.	That will be corrected in the financial statements for the year 2025.	Accounts must be prepared correctly.
(h)	Rs. 741,500, which was recoverable from the officer responsible for an accident that occurred in a cab owned by the council, had been written off from the accounts as of 31st December of the year under review.	That will be corrected in the financial statements for the year 2025.	Must be accounted for correctly.

1.6.2 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Council	Recommendation
(a)	There was a difference of Rs. 100,000 between the opening balance of the Land and Buildings Account and the opening balance of the Schedule.	Corrections will be made to the 2025 Financial Statement Schedule.	The account balances should be adjusted and corrected according to the schedules and the financial statements.
(b)	There was a difference of Rs. 51,648,187 between the balance of the Property, Plant and Equipment Account and the balance of the Contribution from Income to Capital Expenditure Account.	That will be corrected in the 2025 financial statements.	The capital investment contribution account should be credited from income in an amount equal to the value of the asset.
(c)	As at 31 st December of the year under review, there was a difference of Rs. 1,905,255 between the total value as per the financial statements of 03 accounting subjects and the balances shown in the schedule.	That will be corrected in the 2025 financial statements.	Account balances should be adjusted and corrected according to the schedules and financial statements.
(d)	As at 31 st December 2024, there was a difference of Rs.5,370,236 between the value of library books and the book	The difference is due to the fact that the value of books purchased for the year 2025	Surveys should be conducted to cover all items

value in the inventory report, according to the financial statements.

was not included in the goods survey.

and work should be done to identify changes.

1.6.3 Lack of written Evidence for Audit

	Audit Observation	Comments of the Council	Recommendation
(a)	Due to non-submission of schedules, the adjustments relating to the previous year, which were Rs. 489,558,020 shown in the statement of changes in net assets, could not be satisfactorily verified during the audit.	This balance has been in existence for more than 10 years due to accounting deficiencies and the Council does not have the supporting documents to verify the balance.	Evidence must be submitted to verify account balances.
(b)	Information was not submitted to confirm the balance of various advances of Rs. 1,012,471 relating to previous years.	The schedules Council does not have the means to verify the balances in various deposit and advance ledger accounts.	Evidence must be submitted to verify account balances.

1.7 Non- Compliance

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

Non-compliance with Laws, Rules, Regulations and Management Decisions are show below.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	F. R. 371(2)	The overdue advances worth Rs.1,012,471 had not been settled as of December 31.	Will be working to resolve the matter.	Financial regulations must be followed.
(b)	Public Administration Circulars			

(i)	Circular No. 01/2002 dated 25th February 2002	The 28 vehicles used by the council did not have the name of the institution or the state emblem painted on them.	That in the future, steps will be taken to apply the state emblem to all vehicles.	Action should be taken in accordance with the circular instructions.
(ii)	Public Administration Circular No. 09/2009 dated 16th April 2009	As per the provisions of the circular, a technical officer, 03 development officers and 06 daily wage workers of the council had not used fingerprint machines.	That the necessary steps will be taken to correct the errors and obtain fingerprints.	Good human resource management should be maintained by following circular instructions.
(c)	Letter No. 05/01/119 dated 26th February 1992 from the Director General of the Urban Development Authority	Although the Planning Committee was supposed to be held outside office hours, the Council had started it during office hours between 1 and 2 pm and had received Rs. 553,500 as allowance for it.	It will be corrected in the future.	The instructions should be followed in writing.

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. 137,410,669 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 244,928,314 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the Council	Recommendation
The Council had lost a high return due to the management's failure to maintain an average balance of over Rs. 260 million in the bank savings account of the Council throughout the year under review and to invest in investment avenues that could yield high returns or in projects that provide public services.	Arrangements have been made to commence fixed deposits in 2025.	Money should not be left idle, but should be invested in investment avenues or projects that yield maximum returns.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenues

According to the information presented by the Secretary, the information on estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of income	2024 Year				2023 Year			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	16,304	19,347	20,892	11,247	11,244	29,037	16,245	12,791
Rent	3,029	3,954	3,476	725	1,253	2,016	1,768	248
License fees	2,494	2,856	2,856	-	2,201	2,735	2,735	-
Other Revenue	230,801	230,801	187,676	233,305	190,180	190,180	2,835	190,180
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Total	252,628	256,958	214,900	245,277	204,878	223,968	23,583	203,219
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2.3.2 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	The billed revenue for the year under review was Rs. 257 million and Rs. 215 million including arrears of revenue received in respect of previous years had been collected in the year under review. With the arrears of previous years, Rs. 245 million remained to be recovered at the end of the year under review.	That steps will be taken to recover the outstanding balance by the end of the year under review.	Action should be taken to recover outstanding amounts without delay.
(b)	Rates and Taxes		
(i)	An amount of Rs. 3,582,558 had not been collected out of the assessment tax arrears of Rs. 12,791,470 at the beginning of the year under review and an amount of Rs. 7,349,283 out of the billings of Rs. 19,346,939 for the year.	Mobile service programs will be implemented to recover outstanding amounts.	Steps should be taken to recover arrears of assessed taxes without delay.

(ii)	As of December 31, 2024, the Pradeshiya Sabha was owed a total of Rs. 369,642 in assessment arrears from 06 government institutions.	An annual notice has been sent stating the outstanding fee to pay that amount.	The relevant institutions should be informed and steps should be taken to recover the assessed tax.
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3. Operational Review

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.

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31 st December of the year under review, Rs. 4,125,587 of the accounts receivable balance had exceeded a period of 05 years.	That work is being done to correct the balance.	Action should be taken to recover the money due promptly.
(b)	As at 31 st December of the year under review, Rs. 2,517,032 of the accounts payable balance had exceeded a period of 05 years.	It will be investigate according to F.R.	The existence of outstanding balances should be investigated and action taken to resolve.
(c)	Out of the 338 public complaints received by the Council as of December 27, 2024, necessary action had not been taken regarding 63 complaints.	As a formal assignment of duties, 05 technical officers have been assigned duties under 05 zones for the entire Pradeshiya Sabha jurisdiction, so the time taken to respond to public complaints has changed compared to the workload of other technical duties assigned to them.	An officer should be appointed to deal with public complaints and an expedited procedure should be developed.

3.2 Idle and underutilized Assets

Audit Observation	Comments of the Council	Recommendation
The stone roller owned by the Pradeshiya Sabha with an assessed value of Rs. 7,500,000 had been idle since 2016 and the motorcycle valued at Rs. 40,000 had been idle since 2019.	- The stone roll cannot be used on the road system in this jurisdiction because it is too large. - The motorcycle will be used for official purposes after repairs are completed.	In order to obtain maximum benefit from the assets of the Council, efforts should be made to dispose of assets that cannot be utilized.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The cab received from the North Western Chief Secretariat on 08th February 1993 had not been taken over in the name of the Council by the year under review.	It is stated that steps will be taken to take over the council's name once the relevant approval is granted in the future.	Action should be taken to take over the vehicles used by the council.
(b)	Although the Pradeshiya Sabha and land owners had paid a total of Rs. 1,100,000 to the Kurunegala Divisional Secretariat on 09 May 2023 to obtain a permanent road to access 10 plots of land located behind the Wellawa Hospital, the land acquisition process for the road had not been completed by 31 March 2025.	The takeover process is still ongoing.	The Divisional Secretary should be informed and the acquisition process should be carried out promptly.

3.4 Procurement

	Audit Observation	Comments of the Council	Recommendation
	During the progress review of the procurement plan for the year 2024, the progress was at a minimum level of 0 to 9 percent in relation to 06 welfare programs with an estimated cost of Rs. 5.9 million.	That an expenditure analysis will be conducted in the future and funds will be allocated for the relevant expenditure heading.	Action must be taken to implement the procurement plan.

3.5 Contract Administration

	Audit Observation	Comments of the Council	Recommendation
(a)	Saragama Landscape Development Project		
(i)	Although the first phase was to be completed on 15 May 2024, the work was completed on 11 June 2024. As per condition number 04 of the contract agreement, the project had not collected a delay fee of Rs.27,837 from the contractor for the 04-week delay period.	Late fees have been missed.	Late fees should be charged as per the agreement.

(ii)	The iron wire covers that had been prepared to cover the solar-powered electric lamps at a cost of Rs.1,012,560 were found to have broken in 4 places and 4 solar-powered electric lamps were broken within 6 months.	After receiving the compensation amount, the matter can be dealt with and the bulbs and covers can be rebuilt.	This should be investigated and damages should be paid.
(b)	Malkaduwawa Bandaranaikepuru Day and Night Volleyball Stadium		
(i)	In accordance with Section 4.3.1 of the Procurement Guidelines, without preparing a total cost estimate, the construction work was carried out in phases by community-based organizations, with estimates prepared to suit the allocated amount.	There was no possibility of entering into agreements in relation to the total cost estimate or of allocating additional funds from the council fund at that time. Accordingly, estimates have been prepared and agreements have been entered into only in relation to the allocated provisions.	A project should be initiated based on a total cost estimate and estimates should be prepared based on the available funds.
(ii)	It is further observed that the fact that a high-voltage power line system is being laid above the site where the volleyball court was built poses a problem for the players' safety and that this is due to the failure to conduct a proper feasibility study.	A letter has been sent to the Sports Unit of the Northwestern Sports Ministry to obtain confirmation as to whether it is unsafe to play at that location and a decision regarding future actions will be taken after receiving the report.	A formal feasibility study should be conducted before implementing the project.
(iii)	As at 31 st December 31, 2024, it was observed that even though 3 years had passed since Rs.1,469,950 had been spent on the initial construction of this playground, it was still unused and unusable due to the lack of further construction.	It is stated that further steps will be taken in this regard as soon as the report from the Ministry of Sports is received.	A feasibility study should be conducted and the project should be initiated.
(c)	A contract was signed for the concrete paving of the Shanthi Vihara Mawatha Bypass and Shanthi Vihara Mawatha Phase II Road for a total contract value of Rs. 6,250,000. Accordingly, the issuance of the capacity certificate by the	Since it was an order of the Honorable Governor and payment reports had to be submitted before December 31, the road surface was prepared on the same day as the contract	This situation is practically impossible to happen, so care must be taken.

Department of Agrarian Development regarding the farmers' organization's ability to execute the contract, entering into an agreement with the Pradeshiya Sabha, paving the road, paving the concrete and obtaining concrete samples were all carried out on the same day, 22 December 2023.

was signed with utmost dedication. During this work, the local government engineer also visited from time to time and provided necessary instructions, and full supervision was carried out by the technical officers of the Pradeshiya Sabha during the implementation of the project.

(d) Malkaduwawa Bandaranaikepuru Bodybuilding Center Building Phase I

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| (i) | The plan related to the construction was not in the file and a total cost estimate had not been prepared in accordance with Section 4.3.1 of the Procurement Guidelines. | It was not possible to prepare a total cost estimate, and plans were made to prepare an estimate later. | A total cost estimate should be prepared and the project should be started. |
| (ii) | Failure to lease the 03 shops constructed on the ground floor under Phase I for a period of 04 years by 31st December 2024 and failure to commence the remaining construction. | Although the construction of the relevant shops has been completed, it has not been possible to lease these shops as there are other related constructions and infrastructure facilities to be developed. | A total cost estimate should be prepared and projects should be initiated. |
| (iii) | Thieves had cut and destroyed the wires of 14 columns used on the slab to construct the upper floor of this building. | Efforts are being made to clean the relevant area and appropriate measures are being taken for the building. | A formal program should be implemented regarding the security of council property. |
| (e) | Although the special features of the land should have been identified and appropriate measures should have been taken during the planning of the Wellawa Shopping Complex, no provision had been made regarding the existing canal in the first, second and third phases. As a result, it was observed that the plans were approved without conducting a feasibility study as the water in this canal passes through the building where this construction is being carried out and this | The water flowing from the culvert installed across the main road flows through this land through the lower canal at a level lower than the ground floor. | A formal feasibility study should be conducted and the project should be initiated. |

canal may hinder the completion of the remaining construction on the ground floor.

3.6 Human Resources Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The council had recruited 23 officers for 08 posts that were not part of the approved staff.	All positions have now been forwarded to the Department of Management Services for approval.	Action must be taken to get the positions approved.
(b)	There were 15 officers who were not performing the duties of the post they were recruited to and were serving in another post.	All of these officers have been deployed on duty based on service requirements.	Must perform the duties of the position for which was recruited.

4. Accountability and Good Governance

4.1 Annual Action Plan

	Audit Observation	Comments of the Council	Recommendation
(a)	According to the action plan for the year under review, out of the 20 projects planned to be implemented in the health sector, 05 projects with a provision of Rs.3,260,000 had not been implemented, while out of the 12 projects planned to be implemented in the physical planning, roads, lands and buildings sector, 04 projects with a provision of Rs.10,339,500 had not been implemented.	It was not possible to act in accordance with the annual action plan due to various problems.	Actions should be taken in accordance with the annual action plan.
(b)	44 projects worth Rs.49,759,747, which were not included in the action plan for the year under review, had been implemented without making provisions in the annual budget.	The action plan prepared for the year has been implemented without any disruption and the council has been used as a more effective management tool.	Actions should be taken in accordance with the annual action plan.

4.2 Sustainable Development Goals

Audit Observation

The council, aware of the 2030 Agenda for Sustainable Development, had implemented 15 programs at a cost of Rs.34,050,970 to meet the various needs of the people in the council area.

Comments of the Council

Efforts will be made to achieve the Sustainable Development Goals in the coming year as well.

Recommendation

Action should be taken to achieve sustainable development goals and targets.