

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kolonna Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 Statement of financial Operations, Cash Flow Statement, Statement of changes in equity 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 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 Kolonna Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the financial statement based 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's 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 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 Other Legal Requirements

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

- 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.
- 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)	The current assets and operating surplus were understated due to the fact that the electricity stock balance of Rs. 445,470 at the end of the year under review had not been accounted.	That the correction will be made when preparing the accounts for the year 2025.	Stock balances must be accurately accounted.
(b)	The Non-Current Assets and Contribution from Revenue and grants to Capital was shown to be higher by the amounts due to the capitalization of Rs. 58,483 over the expenses of the landfill expansion development project and the recapitalization of Rs. 470,418 of the project's retained earnings.	That the correction will be made when preparing the accounts for the year 2025.	Financial statements must be prepared accurately.
(c)	Current assets and operating surplus were understated due to non-accounting of receivable vehicle rental income of Rs. 182,200 .	That the correction will be made when preparing the accounts for the year 2025.	Financial statements must be prepared accurately.
(d)	The error pointed out under 1.4.1(g) of the Auditor General's Report for the year 2023 was corrected by incorrectly crediting Rs. 206,825 to the employee loan account,	-Do-	-Do-

resulting in an understatement of current assets and accumulated funds by Rs. 413,650.

(e)	The non current assets and contribution from revenue and grants to capital account was understated by the value of machinery, equipment and furniture purchased and received as donations in the year 2023, as the value of Rs. 492,672 had not been capitalized.	That the correction will be made when preparing the accounts for the year 2025.	Financial statements must be prepared accurately.
-----	---	---	---

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
In relation to an accounting item, there was a difference of Rs. 393,591 between the balances as per the financial statements and the balances as per the supporting documents at the end of the year under review.	That the correction will be made when preparing the accounts for the year 2025.	The difference should be identified and corrected and the financial statements should be prepared.

2. Financial Review

2.1 Financial Result

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. 7,809,320 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 2,132,929 in the preceding year.

2.2 Revenue Administration

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

As per the information submitted by the Secretary, the following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

	2024				2023			
Source of Revenue	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,219,828	1,679,573	1,701,099	2,380	825,300	1,265,384	1,326,984	299,419
Rent	4,177,048	4,179,005	3,889,685	289,500	5,920,568	3,972,898	4,103,143	276,034
License fees	1,200,555	1,196,906	1,180,906	15,500	5,704,200	3,560,234	3,560,234	-
Other Revenue	<u>1,269,879</u>	<u>2,224,951</u>	<u>932,405</u>	<u>276,034</u>	<u>7,746,542</u>	<u>8,398,301</u>	<u>8,398,301</u>	<u>-</u>
Total	<u>7,867,310</u>	<u>9,280,435</u>	<u>7,704,095</u>	<u>583,414</u>	<u>20,196,610</u>	<u>17,196,817</u>	<u>17,388,662</u>	<u>575,453</u>

2.2.2 Performance in Revenue Collection

Audit Observation

By the end of the year under review, measures had not been taken to collect assessment tax from areas gazetted as developed areas in 2020.

Comments of the Council

The request for assessment has been made after receiving the Governor's approval.

Recommendation

Assessment tax collection activities should be made efficient.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

Detailed schedules had not been prepared for 03 accounting subjects totaling Rs. 40,457,835.

Comments of the Council

That detailed schedules will be submitted when preparing the accounts for the year 2025.

Recommendation

Detailed schedules should be prepared.

3.2 Operational Inefficiencies

Audit Observation

- (a) Development approval had been granted for an application submitted for a building where 2 floors had been constructed without permission and commercial activities had also been started on the ground floor, without charging the preliminary fee of Rs. 843,600 that was required to regularize the unauthorized construction.

Comments of the Council

A by-law has been prepared and approved for this purpose and work will be carried out accordingly in the future.

Recommendation

Steps should be taken to recover the arrears of preliminary fee payment.

(b)	No steps had been taken to take possession of a land belonging to the sabha where a shop and toilet had been illegally constructed.	The land has been surveyed and boundary posts have been erected, and action will be taken under the Government Lands Act No. 07 of 1979 to evict the trespasser.	Steps should be taken to protect the property owned by the sabha.
(c)	Although an unauthorized construction had been carried out in the Godawela weekly market premises belonging to the sabha since 2020 and an outside party had settled there, no action had been taken in this regard.	Action will be taken to promptly remove the unauthorized construction at the Godawela weekly Market.	Steps should be taken to protect the property owned by the sabha.
(d)	29 shops in Suriyakanda town had been leased without a contract since 1983. The reassessment of those shops after 2010 was delayed until 2024, and as a result, the rent increased in the new assessment, the lessees of 21 shops had defaulted on the payment of the ground rent of Rs. 245,500 due to the sabha.	Action will be taken to recover the relevant money through discussions with the Local Government Commissioner and the lessees.	Rent revisions should be made on a timely basis, and steps should be taken to recover arrears and enter into agreements with tenants.

3.3 Assets Management

Audit Observation

Due to the fact that the running chart of the sabha's backhoe machine were not properly maintained, it was not possible to confirm for what purpose the machine was used for 151.3 meter hours with a work value of Rs. 832,150.

Comments of the Council

Contact with the Local Government Department and will conduct an investigation and act accordingly.

Recommendation

Running charts should be maintained up to date, and should be inspections conducted and take action appropriate.

3.4 Defects in Contract Administration

Audit Observation

- (a) An excess of Rs. 60,436 had been paid for the shuttering work of 03 concrete roads completed in the year 2024.
- (b) An excess of Rs. 166,441 had been paid for the ABC supply, laying and alignment of under work item number 03 of the development of the Dadayamkanda road through Morawadiya in Dorapane.

Comments of the Council

- That step will be taken to recover the overpaid amount of Rs. 60,436.
- Due to a very difficult rural road, it was not possible to use a motor grader. Therefore, the payment was correct as more labor had to be used.

Recommendation

- Action should be taken to recover overpayments.
- The answer is unacceptable. Action should be taken to recover the overpayment.