Kuchchiweli Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kuchchiweli 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, 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 Kucchiweli Pradeshiya Sabha as at 31 December 2024, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 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.

(a) 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 .

(b) 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 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

The following accounting deficiencies were observed:

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Contributions payable to the Employees' Trust Fund amounting to Rs. 1,069,595 were not disclosed in the financial statements.	This error will be corrected this year.	Action should be taken to show unpaid contributions to the fund as a liability in the financial statements.
(b)	The stamp duty receivable of Rs. 15,348,550 from the Eastern Provincial Inland Revenue Department for the year 2023 had not been shown as receivable in the financial statements.	This error will be corrected as soon as the old stamp duty details for the year 2025 are received.	Revenue receivables should be shown in the financial statements.
(c)	65 consumer goods valued at Rs. 542,844 were held as inventory as of 31 December 2024, but they were not shown as inventory in the statement of financial position.	The stock has not been disclosed in the financial statements so far. This year's stock will be disclosed in the financial statements, and the financial statements will be prepared.	Stock values should be disclosed in the financial statements.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of documentary evidence in respect of 05 fixed asset accounts totaling Rs. 230,029,843, it was not possible to satisfactorily examine them.	No answers	Relevant documents should be maintained properly.

1.7 Non- Compliances

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

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(1), (2), (3)	The Sabha had not taken actions to return deposits of Rs. 26,429,426 that had been lapsed for more than 05 years to the relevant persons or transfer them to revenue.	It will be corrected this year.	Action should be taken to identify and settle lapsed deposits.
(b)	163.3(ii) of the Pradeshiya Sabha Finance and Administration Rules, 1988	Although the advances paid were to be settled within 10 days after the objectives were achieved, 07 advance balances amounting to Rs. 268,620 had not been settled until mid-2025.	Action will be taken to settle the advances this year.	Action should be taken to settle the advances within the stipulated time.

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. 8,585,977 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 27,318,991 in the preceding year.

2.2 Revenue Administration

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

The details relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the previous year are shown below.

	Source of Revenue	2024				2023			
		Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31December
		Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i)	Rates and Taxe	15,615,360	42,131,595	17,714,996	24,416,599	28,000,000	38,509,054	15,334,449	23,175,100
(ii)	Rent	6,575,400	22,045,501	4,238,231	17,807,269	16,800,000	19,745,061	5,426,520	14,318,540
(iii)	License Fees	2,085,200	4,148,308	4,148,308	-	7,400,000	2,896,593	2,896,593	-
(iv)	Other revenue	1,762,200	3,895,209	2,780,671	1,114,538	1,943,000	1,624,538	510,000	1,114,538
		26,038,160	72,220,613	28,882,206	43,338,406	54,143,000	62,775,246	24,167,562	38,608,178

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	**Rates and Tax**		
	The arrears assessment tax balance at the end of the year under review was Rs. 24,416,599, therein, Rs. 16,505,067 was outstanding for a period of 5 to more than 10 years.	It will be corrected this year.	Action should be taken to collect arrears promptly.
(b)	The total rental income receivable from leases awarded on the basis of invitation to bids as of December 31st of the year under review amounted to Rs. 12,179,493 had been outstanding for more than 10 years.	-Do-	Action should be taken to collect old outstanding balances within relevant time period.

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 Public 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 Sabha	Recommendation
Advances of Rs. 3,000,000 received under regional development programs had not been utilized for any operations in the previous year and the year under review.	It will be corrected this year.	The funds received under the program should be utilized to achieve the relevant objective.

3.2 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The Sabha had not taken actions to utilize the public market building complex consisting of 14 stalls, which was constructed in 2012 through the Nelsip project at a cost of Rs. 24,444,588, for 13 years.	Actions are being taken currently.	The shop building should be utilized to generate income.

(b)	Electronic equipment worth Rs. 1,992,850, which had been purchased under the Regional Development Grants Program, remained idle without using for the relevant purposes.	It will be used this year.	Action should be taken to use electronic equipment effectively to achieve specific goals.
(c)	The warranty periods of 03 machines purchased for Rs. 2,000,000 for the production of organic fertilizer in 2022 had expired and were remained idle without being used for the relevant purposes.	This situation has arisen due to the lack of a 3PS electrical connection to operate the machine. This will be corrected this year.	The relevant machines should be utilized for the purposes for which they were purchased.
(d)	The Pulmuda public toilet, which was built at a cost of Rs. 1,375,000 in 2022 with the purpose of increasing the income of Sabha, remained unused even in the middle of 2025.	It will be utilized this year.	Appropriate actions should be taken to use the public toilet in Pulmuda.
(e)	No action had been taken to repair and reuse vehicles or sell them at auction for over 01-20 years.	- Do -	The repair or disposal of the relevant vehicles should be carried out under formal approval.

3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
In accordance with Public Administration Circular No. 09/2009 dated 16th April 2009, the Sabha had not taken Actions to verify the attendance and departure of 12 employees working in 08 libraries and 13 reading rooms through fingerprint machines.	It will be implemented this year.	The arrival and departure of employees should be verified through Fingerprint machines

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
Although provisions of Rs. 80,657,201 had been made for capital expenditure subjects in the year under review, only Rs. 15,607,414 of this had been utilized and 80 percent had not been utilized.	No answers.	Actions should be taken to fully utilize the provisions allocated in the budget.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
In accordance with the Circular No. V.S.P./2018/61 dated 23 April 2018, the Sabha had not taken actions to make the necessary financial provisions to achieve the Sustainable Development Goals and Targets to be achieved by the year 2030.	It will be done this year.	Adequate financial resources should be made available to achieve sustainable development goals and targets.