

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of Kandaketiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations for the year ending on that date, Cash Flow Statement and significant accounting policies and other explanatory 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 which should be read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to the parliament are appeared in this report

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Kandaketiya Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles

**1.2 Basis for Qualified Opinion**

My opinion is qualified 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 the parties in charge of governance on 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those in charge with governance are responsible for overseeing Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable preparing 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 taken together, they could reasonably be expected to influence the economic decisions of users taken based on 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:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of its internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 timeframes and in compliance with the applicable laws.

## 1.5 Report on Other Legal Requirements

Special provisions regarding following requirements are included in National Audit Act, No. 19 of 2018.

- (a) In terms of section 6 (1) d (iii) of National Audit Act, No. 19 of 2018, the financial statements of Kandaketiya Pradeshiya Sabha are consistent with the preceding year.
- (b) In terms of section 6 (1) d (iv) of National Audit Act, No. 19 of 2018, the recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6. Audit Observations on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comments of the Pradeshiya Sabha</b>	<b>Recommendation</b>
(a)	The stock value as at 31 December of the year under review had been overstated by Rs. 353,135 in the account.	The actions will be taken to rectify.	The account should be prepared correctly.
(b)	The deposit of Rs. 63,840 received on 27 June 2023 had not been identified and accounted.	The arrangements will be made to add to the revenue as the deposits not identified.	- Do -

## 1.7 Non-compliance

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

The instances of non-compliance with Laws, Rules, Regulations and management decisions are as given below

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Pradeshiya Sabha</b>	<b>Recommendation</b>
Financial Regulation 104 (4) of the Democratic Socialist Republic of Sri Lanka.	The inquires about the accidents related to 02 vehicles occurred in the years 2019 and 2021 had not been done and the reports had not been presented to the Auditor General.	The reports will be presented to the Auditor General immediately.	The proceedings should be made as per the Financial Regulations.

## 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 of the year under review amounted to Rs. 538,309 as compared with the excess of recurrent expenditure over revenue amounted to Rs. 805,328 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated income, billed income, collected income and arrears of income

According to the information submitted by the Secretary of the Pradeshiya Sabha, the particulars about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year are given below.

Income Source	2023			Total deficit as at 31 December	2022			Total deficit as at 31 December
	Estimated income	Billed income	Collected income		Estimated income	Billed income	Collected income	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment Tax	3,013,740	2,595,023	2,532,520	62,503	3,008,740	3,415,531	2,791,518	624,013
(ii) Rents	5,670,000	265,217	4,096,658	0	3,968,520	5,164,316	3,294,130	1,870,186
(iii) License Fee	614,600	633,229	633,229	0	594,600	905,760	905,760	0
(iv) Other income	12,726,780	4,755,983	4,755,983	0	7,206,380	6,684,265	5,634,092	1,050,173
<b>Total</b>	<b>22,025,120</b>	<b>8,249,452</b>	<b>12,018,390</b>	<b>62,503</b>	<b>14,778,240</b>	<b>16,169,872</b>	<b>12,625,500</b>	<b>3,544,372</b>

#### 2.2.2 Court Fines and Stamp Duty

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
The court fines of Rs. 3,538,407 and Stamp Duty of Rs. 983,385 receivable as at 31 December of the year under review had not been collected.	The letters have been presented to the Department of Local Government.	The income arrears should be taken immediately.

## 3. Operation Review

### 3.1 Fulfilling the tasks assigned by the Act

The 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

### Non-achieving the expected benefits

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Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
(a) The water storage tank of 2000 Litres for Godunna Water Project established at a cost of Rs. 824,466 using the provisions of the National Water Supply and Drainage Board in the year 2013 had been idle without being used for the expected task even by 31 December 2023.	The said water tank has not been filled with water to date and the reason for that has been mentioned as a technical error.	The project should be implemented according to a correct plan.
(b) The tube well constructed in Meladumgolla, Kiwulegedara at a cost of Rs.473,000 in January 2023 at a request made by 49 villagers had remained unused even by January 2024 as a motor was not installed thereto.	It has been impossible to provide drinking water to the villagers due to the lack of a water motor.	A water motor should be installed immediately and the tube well should be used for the expected task.

### 3.2 Management Inefficiencies

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
03 industry creditor balances totalled Rs.1,067,908 existing from a period of more than 05 years and 26 expenditure creditor balances totalled Rs. 2,443,877 existing from a period of more than 10 years had not been settled even within the year under review.	The actions will be taken to settle within this year.	The outstanding balances should be settled.

### 3.3 Operation Inefficiencies

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
Even if 02 buildings and a toilet complex had been constructed for Thennapanguwa Weekly Fair at an expense of Rs. 3,584,393 using the provisions of the Regional Development Assistance Project in the year 2021, it had become an uneconomical expenditure due to not using it for the intended task even by 31 December 2023.	The required actions will be done to conduct the weekly fair by carrying out promotion and publicity activities in future.	The proceedings should be made to achieve the expected objectives.

### 3.4 Asset Management

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
The ownership of a double cab, jeep, tractor and motor grader belonged to the Pradeshiya Sabha had not been settled even as at 31 December of the year under review.	The required actions are being taken to get the registered ownership of the vehicles.	The steps should be taken to resolve the ownership.

## 4. Accountability and Good Governance

### Environmental Issues

Audit Observation	Comments of the Pradeshiya Sabha	Recommendation
The garbage of nearly 25 tons piled up yearly within the Pradeshiya Sabha Division had been disposed to Mahaweli Forest Reserve by Kandaketiya Pradeshiya Sabha without sorting as decayed and not decayed by digging pits unsystematically from a period of more than 05 years.	A program is underway to start a systematic waste management project in collaboration with Meegahakiwula and Rideemaliyadda Pradeshiya Sabha and a permanent solution will be given to this issue once the said project is materialized.	Waste disposal should be done systematically.