

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kekirawa Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Net Assets /Equity, Cash Flow Statement 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, Sub-Section 172 (1) of the 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 accompanying financial statements give a true and fair view of the financial position of the Kekirawa Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

I expressed qualified opinion 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 skepticism 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 includes 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 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 Sabha	Recommendation
(a)	Expenses paid in the year 2025 but relating to the year under review totaling Rs. 172,724 had been abandoned from creditors.	Accepted.	The correct value must be accounted.
(b)	The capitalized value of the project to construct a culvert on the road running across Kumbukwewa to Weragala at the Kuda Rambewa junction was Rs. 1,154,925, but its value was stated as Rs. 1,987,200, resulting in an overaccounted of assets of Rs. 832,275.	-Do-	-Do-
(c)	The value of debtors and creditors for the year under review for the project to construct a culvert on the road running across Kumbukwewa to Weragala at the Kuda Rambewa junction was Rs. 115,162 respectively, but by accounted as Rs. 947,437, the debtors and creditors had been overstated by Rs. 832,275.	-Do-	-Do-
(d)	The creditor value of the Kumbuka Sisila Garden Summer Hut construction project was Rs. 509,360, but its value was stated as Rs. 354,077 in the statement of assets and liabilities, which resulted in an understatement of industrial creditors by Rs. 155,283.	Accepted.	The correct value must be accounted.

(e)	The capitalized value of the Kumbuka Sisila Garden Summer Hut construction project was Rs. 1,552,818, but its value was stated as Rs. 1,397,536 in the Statement of Assets and Liabilities, resulting in an understatement of fixed assets of Rs. 155,282.	Accepted.	The correct value must be accounted
(f)	Although the fixed deposit interest income for the year under review was Rs. 4,033,780, the interest income was recorded as Rs. 4,090,107, resulting in an overstated of the fixed deposit interest income by Rs. 56,327.	-Do-	-Do-

1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 th December 2016	Fuel combustion tests had not been conducted on 06 vehicles owned by the Sabha during the year under review.	That steps are being taken to conduct a fuel combustion test.	Must act according to the provisions.
(b)	Paragraph 02(a) of the Treasury Secretary's Asset Management Circular No. 05/2020 dated 20 th October 2020 and Public Finance Circular No. 01/2020 dated 28 th August 2020	No action had been taken to disposed of 2 vehicles that had been out of used for 1 and 2 years near time.	That work will be done to repair or replace it in the future.	Must act according to the provisions.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31st December 2024 amounted to Rs. 28,617,677 as compared with the excess of revenue over expenditure amounted to Rs. 19,793,491 in the preceding year.

2.2 Revenue Administration

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

According to the information submitted by the Secretary of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year are mentioned below.

Source of Revenue	Estimated Revenue	2024	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	2023	Total Arrears as at 31 December
		Revenue billed					Revenue collected	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	18,822,842	24,203,701	19,997,127	6,542,768	8,499,935	9,644,160	10,580,971	4,897,429
(ii) Rent	19,000,333	18,422,071	18,326,035	7,237,125	15,462,600	13,018,269	11,905,888	7,173,056
(iii) License fees	8,001,000	5,516,179	3,631,893	2,027,785	5,932,650	7,921,792	8,008,292	258,500
(iv) Other Revenue	46,138,000	43,856,101	76,172,062	16,903,876	37,287,000	51,605,675	7,932,587	49,508,307
	91,962,175	91,998,052	118,127,117	32,711,554	67,182,185	82,189,896	38,427,738	61,837,292

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		
(i)	Action had not been taken to recover the arrears rates of Rs. 7,532,831 as at December 31 st .	51 percent of the arrears balance has been recovered so far.	Steps should be taken to recover arrears of rates.

(ii)	The total of the both of arrears rate fee and the billings for the year from 84 property owners at the beginning of 2024 had not been collected any amount by the end of the year under review.	The relevant subject officer has been informed to issue red notices to property owners to recover arrears amounts.	Action should be taken to recover the arrears amount.
(b) Rent			
(i)	In 2023, a total rental income of Rs. 96,000 was receivable from three people who rented out stalls, and in 2024, no money had been received from that arrears amount.	The arrears amount has been referred to the Mediation Board for recovery.	Action should be taken to recover the outstanding amount.
(ii)	An amount of Rs. 2,531,409 relating to the lease of 24 assets between the year 2010 and the year 2023 had not been recovered as of 31 st December of the year under review.	Lawsuits have been filed against tenants to recover outstanding amounts.	Legal action should be taken to recover the outstanding amount.
(iii)	The Madatugama Sea Fish Farm, which was leased for Rs. 114,000 in the year 2023, had not been call tendered and steps had not been taken to award the lease in the year under review.	Since no applicant came forward to lease the property, the opportunity to lease the property did not arise.	Efforts should be made to collect income by lease out property.
(iv)	As at 31 st December of the year under review, Rs. 1,962,414 was to be recovered due to the rental of vehicles owned by the Sabha on a loan basis in the years 2021, 2023 and 2024, but the necessary steps had not been taken in this regard.	After appointing an investigation board from the Local Government Department to recover the outstanding amount, further steps will be taken to recover the outstanding amount based on the investigation report.	Action should be taken to recover the outstanding amounts based on the investigation board reports.
(c) License Fees			
	The tourism licenses fee of Rs. 1,821,785 had not been collected during the year under review.	A lawsuit has been filed to recover outstanding tourism licenses fees.	Action should be taken to recover the outstanding amount.

(d) Other Revenue

The Sabha had not adopted the by-law on parking of three-wheelers under the Local Government (Standard By-laws) Act No. 06 of 1952, and had not decided through a Sabha resolution agreement on the places where three-wheelers should be parked within the area of authority and the maximum number of three-wheelers that should be parked at each place, published in a gazette, and had not taken steps to conduct a survey on the number of three-wheeler parking places and three-wheelers within the area of authority and levy fees.

After the commencement of the local government session, the by-laws will be submitted to the Sabha and gazetted.

Action should be taken to collect revenue by enacting by-laws.

3. Operational Review

3.1 Performing of Functions Enacted by the Act

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.

Audit Observation

Comments of the Sabha

Recommendation

By-laws

Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 main matters, but by-laws had not been enacted for those matters as at 31st December 2024. .

Accepted.

Action should be taken to enact by-laws.

3.2 Management Inefficiencies

Audit Observation

Comments of the Sabha

Recommendation

- (a) Since no steps had been taken to collect fees for street vendors and mobile vendors in the Pradeshiya Sabha head office area of authority and the Madatugama, Palugaswewa and Maradankadawala sub-office area of authority, the Sabha had lost a large amount of potential income.

The Revenue Administrator of the sub-offices will be informed and steps will be taken to collect the fees.

Efforts should be made to increase revenue by collecting fees.

(b) The shops belonging to the Sabha in Maradankadawala were leased out for a little amount of monthly rent of Rs. 750 without a formal valuation by the Valuation Department. During the year under review, the Sabha had not taken steps to repair these shops and to remove the waste that had blocked the canal where these shops were built and to resolve the existing environmental problems.	After the repairs are completed, the fees will be charged under a new assessment, and the canal near the shops is a canal belonging to the Farmers' Service Center, and steps will be taken to inform that institution.	Arrangements should be made to collect rent according to the formal assessment.
--	---	---

3.3 Assets Management

Audit Observation

The tractor, which had been repaired at a cost of Rs. 530,034 in the years 2023 and 2024, was still not in running condition due to a technical defect as at 31st December of the year under review.

Comments of the Sabha

The repairs for the years 2023 and 2024 were paid for only after the mechanical engineer inspected and recommended them, and the leak in the diesel tank will be repaired promptly.

Recommendation

It should be repaired and put into use immediately.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation

- (a) The action plan prepared by the Sabha listed 57 projects to be completed during the year under review, but no specific time frame was specified.

Comments of the Sabha

The time frame for several selected projects states that the projects mentioned as "as needed" are not known at what point in the year they will be implemented or not.

Recommendation

The action plan should accurately set out a specific time frame for the projects to be completed during the year.

- (b) 28 projects worth Rs. 18,475,000 as stated in the annual budget had not been implemented during the year under review.

Not commented.

Planned projects must be carried out within the relevant year.