

## **Kandy Four Gravets and Gangawata Korale pradeshiya sabha - 2024**

---

### **1. Financial Statements**

#### **1.1 Adverse Opinion**

The audit of the financial statements of the Kandy Four Gravets and Gangawata Korale 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 Adverse Opinion, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Kandy Four Gravets and Gangawata Korale pradeshiya sabha as at 31 December 2024 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

#### **1.2 Basis for Adverse opinion**

I expressed adverse 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 adverse 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 Sub-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 to be prepared.

#### **1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed 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.
- 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 the purpose of expressing an opinion on the effectiveness of the 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 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 Other Legal Requirements

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the 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.
- (a) 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 Financial Statement

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Interest income of Rs. 3,145,307 in the year under review relating to the SWEEP bank account maintained by the Pradeshiya Sabha had not been accounted.	It will be corrected next year.	Income should be correctly accounted.
(b)	Fixed deposit interest income totaling Rs. 38,667,344 for the year under review had not been accounted.	Do	Income should be correctly accounted.
(c)	The billed income of 02 income subjects related to the year under review had been overstated by Rs. 23,750,784.	Correction will be made through a journal entry.	Do
(d)	As of December 31 of the year under review, the amount of Rs. 460,000 payable under the program to provide nutrition bags to disabled persons from low-income families was recorded under creditors, but Rs.437,500 was again credited to creditors in related to the same matter. As a result, creditors were overstated by that amount.	Action will be taken to write off creditors who have been over-accounted.	Creditors should be correctly accounted.
(e)	30 projects worth Rs. 32,475,000, which had been contracted and credited during the previous year, were still listed under creditors, despite the project being abandoned without construction.	The 30 relevant projects will be looked into and corrected.	Creditors should be correctly accounted.

(f)	50 various expenditure subjects amounting to Rs. 1,774,997, which had been accounted for as expenses in the previous year and settled in the year under review, were erroneously shown under creditors in the year under review as well.	That the 50 relevant projects will be looked into and corrected.	Accounts should be prepared accurately regarding creditors.
(g)	As of December 31st, of the year under review, the value of furniture and equipment totalling Rs. 290,810 had not been accounted for, and the value of another 09 furniture and equipment had not been identified.	Action will be taken to account for furniture and equipment.	Assets should be correctly accounted.
(h)	According to the store ledger, electrical equipment purchased for Rs. 107,700 in the year 2021 had not been accounted.	It will be corrected next year.	Inventory should be correctly accounted.
(i)	The total fixed deposits of Rs. 558,968,801 as on 31st December of the year under review were recorded as Rs. 508,968,801, and understated by Rs. 50,000,000	It will be corrected next year.	The value of fixed deposits should be accurately accounted and present in the financial statements.

#### 1.6.2 Unreconciled Control Accounts or Records

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	When comparing the balances relating to 06 asset subjects in the financial statements with the relevant schedules and documents as at the end of the year under review, there was a difference of Rs. 354,484.	The difference will be looked into and action will be taken to correct the relevant adjustments.	Account balances should be reconciled with the relevant schedules and submitted.
(b)	Although there was a receivable balance of Rs. 16,745,324 as per the arrears rates revenue account as on 31st December of the year under review, the receivable rates balance as per the computer system software was Rs. 16,056,539, resulting in a difference of Rs. 688,785.	The reasons for the difference will be looked into and reported.	The difference should be investigated and the accounts corrected.
(c)	The Porton motor lorry, which was valued at Rs. 8,500,000 according to the fixed assets register, was shown as Rs. 6,009,602 in the financial	The difference will be corrected next year.	The difference should be checked and the accounts should be corrected.

statements, resulting in a difference of Rs. 2,490,398.

(d)	Although the balance of 04 assets in the fixed assets register was Rs. 24,065,411, by recording it as Rs. 18,299,921 in the relevant schedule of accounts there was a difference of Rs. 5,765,490	Difference will be Checked and corrected	The difference should be checked and the accounts corrected.
(e)	Although the balance of the Urban Development Authority Investment Account in the year under review was Rs. 12,883,577, the balance of the Urban Development Authority Deposit Account was shown as Rs.18,276,558, resulting in a difference of Rs. 5,392,981.	Since this difference has been carried forward for many years, it will be investigated and will report on it.	-Do-
(f)	Although the bank balance as per the cash book as at the end of the year under review was Rs. 175,358,208, as it was stated as Rs. 190,028,118 in the financial statements a difference of Rs. 14,669,910 was observed.	Action will be taken to correct it through journal entries.	The difference should be looked into and the accounts corrected.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the failure to submit documents and schedules relating to 03 asset subjects totaling Rs. 8,865,860 as shown in the financial statements, it was not possible to satisfactorily examine during the audit.	Action will be taken regarding the relevant balances.	Documents and files should be maintained to verify the account subjects.

## 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 Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
Section 128	Action had not been taken to acquire the ownership of 17 lands	Action will be taken to acquire ownership in the future.	Action should be taken to acquire ownership of lands owned by the Sabha.

used by the Pradeshiya Sabha.

- (b) **Pradeshiya Sabha (Finance and Administration) Rules, 1988**  
Section 218

The Sabha had not conducted an asset survey since 2019.

Surveys will be conducted.

Asset surveys should be conducted annually.

- (c) **Circular No. 2020/06 of the Commissioner of Local Government, Central Province, dated 28 September 2020.**

Although the surplus funds of the Sabha could have been invested in revenue-generating projects, projects to develop Sabha properties or projects to provide public facilities to the majority of the people, thereby providing a service to the public in the Sabha area and increasing the revenue of Sabha, but without doing so, the surplus funds of Rs. 558,968,801 had been invested in fixed deposits.

Approval has been obtained from the Regional Coordination Committees to implement approximately 250 identified essential projects, and it is expected that the projects will be implemented through fixed deposits.

The surplus money should be used for development in the area of authority and provide better quality services.

## 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. 174,229,357 as compared with the excess of revenue over recurrent expenditure amounted to Rs. . 133,729,043 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 presented by the Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

		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.
(i) Rates and Taxes	30,996,226	29,520,892	28,832,304	16,760,607	27,205,760	27,565,562	29,246,636	16,072,019
(ii) Rent	16,985,932	14,141,298	14,141,298	176,082	2,022,332	3,676,872	3,500,790	176,082
(iii) License Fees	8,512,000	15,605,103	15,631,704	386,635	3,048,050	10,188,189	9,833,202	413,236
(iv) Other revenue	168,700,000	172,287,211	225,097,434	158,189,234	159,077,400	168,643,362	99,425,240	210,999,458
<b>Total</b>	<b>225,194,158</b>	<b>231,554,504</b>	<b>283,702,740</b>	<b>175,512,558</b>	<b>191,353,542</b>	<b>210,073,985</b>	<b>142,005,868</b>	<b>227,660,795</b>

## 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
<p><b>(a) Rates and Tax</b></p> <p>As on 31st December of the year under review, there was a total arrears of rates of Rs. 16,760,607. Out of which, Rs. 319,923 from 03 units where the arrears per unit exceeded Rs. 50,000, Rs. 277,725 from 09 units between Rs. 25,000-Rs. 50,000, and Rs. 2,769,762 from 198 units between Rs. 10,000-25,000 had not been collected by complying in accordance with Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.</p>	<p>Letters have been issued to the relevant property owners to collect the arrears.</p>	<p>Arrears of revenue should be recovered promptly.</p>
<p><b>(b) Court fines and Stamp duty</b></p> <p>The court fines and stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review amounted to Rs. 625,000 and Rs. 148,093,459, respectively.</p>	<p>No comments</p>	<p>The arrears income should be recovered.</p>

## 2.3 Surchage

Audit Observation	Comments of the Sabha	Recommendation
During the previous year, a surcharge of Rs. 262,608 had been imposed against the responsible persons in terms of the provisions of the Pradeshiya Sabha Act, and As of the end of the year under review, Rs. 175,068 had not been collected further.	Four parties have paid the surcharge and other parties have been notified in writing to pay.	Surcharges should be charged.

## 3. Operational Review

### 3.1 Fulfilment of functions assigned 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
In accordance with Sections 93 to 95 of the Pradeshiya Sabha Act, action had not been taken to establish a gully truck service and a sewerage treatment unit for the transportation and treatment of sewerage.	The Sabha does not have sufficient land area to procure a gully truck for sewerage transportation and to start a sewerage treatment unit, and since it requires the necessary technology and workers, and being a large-scale project, it was not possible to accomplish it.	The functions prescribed in the Act should be performed for the benefit of the people of the area of authority.

### 3.2 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 04 accounts receivable balances as at 31st December of the year under review was Rs.24,920,715. Therein, the total of account balances relating to the period between 01 and 05 years was Rs.19,073,822 and the total of accounts receivable for more than 05 years was Rs.1,135,156.	Action will be taken to recover the balances that are receivables.	The balances receivable should be collected.
(b) Although 145 roads owned by the Sabha had been published in the Gazette No. 931 dated July 05, 1996, in accordance with	Action will be taken to gazette the roads in the future.	Action should be taken to gazette the roads.



Section 24(2) of the Pradeshiya Sabha Act No. 15 of 1987, objections regarding those roads had not been considered and re-publication had not been made in the Gazette.

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) A compactor trailer, a stock of water equipment and a trailer with an unvalued amount, totalling Rs. 7,887,162, had been idle or underutilized for 7 years.	The ownership will be taken over and they will be auctioned or repaired.	It should be repaired and used or disposed of.
(b) 526 square feet on the second floor of the Gurudeniya Pura Neguma building belonging to the Sabha remained unused and idle from 30th June to 31st December of the year under review.	Action will be taken to request the Valuation Department to provide a valuation report.	Assets should be utilized.

### 3.4 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Freehold deeds had not been obtained for 6 plots of land that had been given to the Sabha for public purposes from the lands that were subdivided and sold in 2019.	Action will be taken to obtain the relevant documents.	Ownership of assets should be verified by obtaining deeds.
(b) The ownership of 4 plots of land used by the Sabha had not been acquired.	Further action is being taken regarding the acquisition of ownership.	Ownership of assets should be taken over.

### 3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
As of December 31st of the year under review, a total of Rs. 1,330,712 in employee loans had not been collected from 28 officers who had transferred, retired and left the service.	The outstanding employee loans will be collected and reported in the future.	Employee loan balances should be collected.

**4. Accountability and Good Governance  
Sustainable Development Goals**

**Audit Observation**

According to the provisions of the Sustainable Development Act No. 19 of 2017, provisions had been allocated for 10 sustainable development projects for the year under review, but 09 of them had not been implemented during the year.

**Comments of the Sabha**

Sustainable development projects will be carried out in the coming year.

**Recommendation**

Sustainable development goals should be achieved.