

## **Kuliyapitiya Pradeshiya Sabha - 2024**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Kuliyapitiya 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 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 Kuliyapitiya 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 regarding financial statements 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.

- (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 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

| <b>Audit Observation</b>  | <b>Comments of the Council</b>  | <b>Recommendation</b>   |
|---|---|---|
| (a) The loan balance of Rs. 36,701,243 payable by the sabha to the Local Credit Development Fund as at 31st December of the year under review had not been disclosed in the financial statements, separated into current and non-current. | That steps will be taken to separate current and non-current assets in the financial statements for the year 2025.    | The time frame for debt repayment should be included in the financial statements. |
| (b) A released deposit balance of Rs. 18,897 and a deposited amount of Rs. 335,010 had not been accounted for.  | That steps will be taken to correct the errors through journal entries in the financial statements for the year 2025. | All transactions must be accurately recorded in the financial statements.         |
| (c) As at 31 <sup>st</sup> December of the year under review, the value of 34 inventory items had not been identified and accounted for, and the value of 04 inventory items amounting to Rs. 16,482 had not been accounted for.          | That adjustments will be made in the financial statements in 2025.  | Stock values must be accurately accounted for.                                    |

### 1.6.2 Unreconciled Control Accounts or Records

| <b>Audit Observation</b>  | <b>Comments of the Council</b>  | <b>Recommendation</b>   |
|---|---|---|
| (a) As on 31st December of the year under review, the value of library books and various collateral deposit as per the financial statements was Rs. 24,198,581, however as per the schedule, the value was Rs. 23,150,239. Accordingly, there was a discrepancy of Rs. 1,048,342. | According to the financial statement and schedules, the variation of Rs. 463,587 is the balance of various deposits less than 01 year and that value should be correct as Rs. 457,684 and that steps are being taken to obtain accurate data at the library level regarding library books and maintain it up to date. | Relevant changes should be identified, documents corrected and accounted for accordingly. |

- (b) As of December 31st of the year under review, the value of the vehicles owned by the sabha as per the financial statements, fixed asset records and valuation reports were Rs. 52,013,450, Rs. 97,010,035 and Rs. 82,470,000 respectively, and a discrepancy was observed between the above 03 values. That the necessary steps will be taken to correct the supporting documents in the future and prevent such a change from occurring. The ledger entries should be made based on the schedules and the financial statements should be prepared accordingly.

## 1.7 Non- Compliances

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

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

|     | <b>Reference to Laws, Rules Regulations etc.</b>  | <b>Non-compliance</b>  | <b>Comments of the Recommendation Council</b>  |
|-----|---|--|--|
| (a) | National Audit Act No. 19 of 2018 Section 38(2) of Chapter VII  | A copy of the written review to be carried out by the Chief Accounting Officer to ensure that an effective internal control system for financial control is maintained and that a previous review of the effectiveness of that system has been conducted and that the necessary changes have been made accordingly to ensure that the systems operate effectively had not been submitted to the Auditor General. | The Kuliyaipitiya Pradeshiya Sabha has already taken steps to send the internal audit reports to the Audit Office and other reports will be sent in the future. The requirements set out in the Audit Act must be reported to the audit. |
| (b) | Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br><br>Financial Regulation 571 (2) | Action had not been taken to regulate 03 overdue deposits worth Rs. 203,398.   | That steps are being taken to release the remaining deposits. Must follow in accordance with financial regulations.  |
| (c) | Circular No. 04/2018 dated 31 December 2018 on Asset Management issued  |  |  |

by the Ministry of Finance and Mass Media and the Asset Valuation Guidelines prepared by the Comptroller General's Department.

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|----------------------------|--|--|---|
| 02 <sup>nd</sup> Paragraph | Although the value of government non-financial assets should be accurately calculated when reporting them, The revaluation of other assets except the sabha's vehicles had not been carried out. | To assess land and buildings at the current value. | Asset valuation should be carried out as per circular instructions. |
|----------------------------|--|--|---|

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| 03 <sup>rd</sup> and 04 <sup>th</sup> Paragraph | Although non-financial assets with a value of Rs. 5000 or more should be identified when reporting non-financial assets, the sabha had maintained 58 land and buildings, 24 machinery and 85 furniture and equipment worth less than Rs. 5000 in its books. | According to the above valuation reports, necessary steps will be taken to update the documents and remove equipment worth less than Rs. 5,000. | Asset records should be maintained up-to-date as per circular instructions. |
|---|---|---|---|

(d) Guidelines introduced by the North Western Provincial Water Supply and Environmental Sanitation Unit for Community Based Organizations 9.2 (v) paragraph

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| The sabha had not participated in the audit of the accounts of community-based organizations and the sabha had not registered and supervised community-based organizations. | In the coming years, efforts will be made to avoid these conflict situations and register unregistered community sabha and create active community sabha. | Community-based organizations should be regulated. |
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## 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. 50,862,167 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 53,217,456 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, 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.

| Source of Revenue | 2024 Year         |                |                   |                                 | 2023 Year         |                |                   |                                 |
|-------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
|                   | 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. 000           | Rs. 000        | Rs. 000           | Rs. 000                         | Rs. 000           | Rs. 000        | Rs. 000           | Rs. 000                         |
| -----             | -----             | -----          | -----             | -----                           | -----             | -----          | -----             | -----                           |
| Rates and Taxes   | 3,802             | 4,459          | 4,875             | 403                             | 3,751             | 4,032          | 3,234             | 789                             |
| Rent              | 10,497            | 14,527         | 14,365            | 142                             | 11,871            | 10,887         | 10,885            | 2                               |
| License fees      | 1,275             | 944            | 944               | -                               | 1,163             | 1,316          | 1,316             | -                               |
| Other Revenue     | 245,076           | 120,821        | 78,605            | 138,529                         | 131,201           | 265,057        | 265,057           | -                               |
|                   | -----             | -----          | -----             | -----                           | -----             | -----          | -----             | -----                           |
| <b>Total</b>      | <b>260,650</b>    | <b>140,751</b> | <b>98,789</b>     | <b>139,074</b>                  | <b>147,986</b>    | <b>281,292</b> | <b>280,492</b>    | <b>791</b>                      |
|                   | =====             | =====          | =====             | =====                           | =====             | =====          | =====             | =====                           |

#### 2.2.2 Performance in Revenue Collection

##### Audit Observation

##### Comments of the Council

##### Recommendation

- (a) The revenue arrears as of December 31 is obtained by adding the final revenue arrears of the previous year to the billed revenue of the year under review and deducting the revenue collected. According to the data presented, it is observed that there is a discrepancy between the revenue arrears and these figures.
- Although the acreage tax and assessment billing in relation to the income billed in the year under review is the same as per the documents and accounts, the deficit for the year 2023 should be corrected as 798 as per the accounts, while the deficit as per the documents is 796. Accordingly, there is a discrepancy of Rs. 1,848 between the balance in the documents and the deficit in the account.
- Steps should be taken to submit accurate information to the audit.

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| (b)                            | As of the beginning of the year under review, a revenue shortfall of Rs. 0.7 million and a billing of Rs. 141 million had been collected, amounting to Rs. 401 million, while as of December 31 of the year under review, a further Rs. 139 million remained outstanding.                         | Of the total arrears of Rs. 139 million as of December 31st of the year under review, Rs. 57.9 million has been collected so far. | Steps should be taken to recover arrears of revenue and billed revenue. |
| <br>(c) <b>Rates and Taxes</b> |   |   |   |
| (i)                            | Out of the assessment tax balance of Rs. 159,232 as on 31st December of the year under review, Rs. 143,464 relating to the period between 1 and 5 years and Rs. 15,768 relating to more than 05 years remained uncollected. Management had not taken steps to recover those outstanding balances. | The necessary steps have been taken to issue red notices and property will be confiscated for those who do not pay their arrears. | Arrears of revenue should be recovered promptly.                        |
| (ii)                           | Out of the outstanding acreage tax balance of Rs. 243,967 as on 31st December of the year under review, Rs. 61,675 was between 1 and 5 years old and Rs. 182,292 was older than 5 years.  | That steps will be taken to recover outstanding amounts and write off unnecessarily billed arrears.                               | Arrears of revenue should be recovered promptly.                        |
| <br>(d) <b>Rent</b>            |   |   |   |
|                                | As of December 31st of the year under review, arrears of rent of Rs. 143,407 were due.  | Correctness will be made in the preparation of the 2025 financial statements.   | Arrears of revenue should be recovered promptly.                        |
| <br>(e) <b>Other Revenue</b>   |   |   |   |
|                                | Court fines amounting to Rs. 8,184,882 and stamp duty amounting to Rs. 130,270,369 which were due from the Chief Secretary of the Provincial sabha and other authorities as at 31st December of the year under review had not been collected.   | Steps have been taken to submit new requests to collect the remaining money.  | Action should be taken to recover the arrears of revenue.               |

### 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 people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

### 3.1 Performing the functions assigned by the Act

| <b>Audit Observation</b>   | <b>Comments of the Council</b>   | <b>Recommendation</b>  |
|--|--|--|
| (a) Under Section 126 of the Pradeshiya Sabha Act, by-laws could be enacted to carry out 30 main matters, but by-laws had not been prepared and adopted by 31 December 2024. One adopted by-law had been included and that by-law was also not in effect.                        | Our sabha has adopted almost all the standard by-laws enacted by the Provincial Council and the legal provisions required for the performance of daily duties are made in accordance with these by-laws.   | The sabha should be carried out by establishing constitutions.   |
| (b) During the year, 845 tons of biodegradable waste were collected and 1450 liters of liquid fertilizer were produced using it, generating an income of Rs. 29,005 from the sale. 10,959 kilograms of non-biodegradable waste generated an income of Rs. 270,935 from the sale. | The broad objective is to contribute to reducing global warming by contributing to the reduction of fossil fuel combustion through the promotion of renewable energy and minimizing the illegal burning of polythene and plastic waste as much as possible, thereby achieving benefits that exceed financial values. | Waste management should be formalized and efforts should be made to create a healthy environment for the people. |

### 3.2 Management Inefficiencies

| <b>Audit Observation</b>  | <b>Comments of the Council</b>   | <b>Recommendation</b>   |
|---|--|---|
| (a) The balance of 09 accounts receivable as of December 31st of the year under review was Rs. 149,861,689 and within that balance, Rs. 149,660,815 related to the period between 1 and 5 years and Rs. 198,090 older than 05 years. The management had not paid attention to the prompt recovery of those amounts. | That steps have been taken to submit new requests for collection of money.                               | Action should be taken to recover the arrears of revenue.   |
| (b) The total value of 10 accounts payable balances as at 31st December of the year under review was Rs.42,928,583, of which Rs.42,808,927 were due between 1 and 5 years and Rs.119,005 were due more than 5 years. Management had not taken steps to address their existence and settle them.                     | It will make arrangements to pay in the future.  | The existence of outstanding balances should be investigated and action taken to settle and correct the accounts. |
| (c) According to the land registry, out of the total 263 land units owned by the sabha, 91 land units have deeds but no plans and It was observed that steps had not been taken   | Based on the land survey conducted in 2024, it has been identified that there are 91 lands without plans | Steps should be taken to identify the boundaries of lands   |



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| to identify the boundaries of the lands owned by the sabha and ensure their security.  | of the total land area. The work of preparing plans will be carried out based on the financial provisions available in the sabha. | and ensure their security.   |
| (d) Records had not been maintained for furniture, office equipment, machinery, computers and computer software.   | Separate inventory documents are currently being prepared for that purpose.   | Separate records for fixed assets should be maintained and kept up to date.                              |
| (e) There was a balance of Rs. 64,014,036 in one bank current account held by the sabha as on 31st December of the year under review and no steps had been taken to invest that money productively or to utilize it for the purposes of the sabha. | On May 2, 2025, Rs. 10 million and on May 20, 2025, Rs. 20 million have been invested in fixed deposits.                          | Steps should be taken to invest surplus funds productively or to use them for the purposes of the sabha. |

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

| <b>Audit Observation</b>  | <b>Comments of the Council</b>  | <b>Recommendation</b>  |
|---|---|--|
| (a) The Pallewela Library Building and Marapitiyawatte Function Hall, worth Rs. 2,500,000, remained idle for over 15 years.   | Since the sabha has a sufficient number of libraries, the building constructed in Pallewela will be given to a state or private institution, and the Department of Local Government has been informed that it is futile to renovate the half-constructed building in Marapitiyawatte. | Efforts should be made to utilize idle assets for productive purposes.         |
| (b) The sabha did not have written information regarding the date or manner in which the jeep belonging to the Animal Production and Health Department, which was parked in the sabha car park, was acquired by the sabha, and according to the logbook maintained by the sabha in relation to this vehicle, it was revealed that the vehicle had been used since 2013. At present, the jeep is in a very dilapidated condition and has not been repaired or disposed of since it cannot be used. | The motor vehicle registration certificate of the jeep was found and it is stated as Animal Production and Health Department of, Kurunegala. Therefore, they will go to the relevant institutions and inquire about it and take further action.                                       | The appropriate action to take possession of the property should be expedited. |

### 3.4 Assets Management

|     | <b>Audit Observation</b>   | <b>Comments of the Council</b>   | <b>Recommendation</b>  |
|-----|--|--|--|
| (a) | The lands on which the Kithalawa Weekly market and Kithalawa Library are located had not been taken over by the sabha by the end of the year under review.   | Requests have been submitted to take over the land where the Kithalawa Library is located. | Land acquisitions should be carried out expeditiously.   |
| (b) | Although a survey should have been conducted on all the physical assets of the sabha and they should have been included in the records and updated, due to failure to do so, it had not been possible to submit schedules or fixed asset records for the fixed assets of Rs. 439,055,797 included in the financial statements. | Fixed asset records are being updated based on the survey conducted in 2024.               | The relevant changes should be checked, the documents should be corrected and accounted for accordingly. |

### 3.5 Human Resources Management

|  | <b>Audit Observation</b>  | <b>Comments of the Council</b>   | <b>Recommendation</b>  |
|--|---|--|--|
|  | There were vacancies in 14 secondary level posts and 02 primary level posts in the approved staff of the sabha. There was a surplus of 53 secondary level posts and 27 primary level posts. Furthermore, one employee had been recruited on a casual basis in excess of the approved staff. | The number of surplus staff at the secondary level has increased to 53 due to the addition of 52 Work Administration Officers and Development Officers, and as of now, 07 Development Officers have been transferred, the number of surplus staff has increased to 46. | Recruitment for vacancies and approval of surplus staff should be taken. |

## 4. Accountability and Good Governance

### 4.1 Annual Action Plan

|     | <b>Audit Observation</b>  | <b>Comments of the Council</b>  | <b>Recommendation</b>  |
|-----|---|---|--|
| (a) | 05 industries and 24 programs included in the annual action plan, for which provisions worth Rs. 11,205,000 had been made, had not been implemented, and 02 projects worth Rs. 456,665, for which provisions had not been allocated in the annual budget, had been implemented. | Even though financial provisions were allocated in the 2024 budget, it was not possible to implement those programs due to various reasons. | Efforts should be made to use money effectively by carrying out projects as planned. |

- (b) The progress of 24 programs planned with an estimated allocation of Rs. 4,025,000 had been less than 50 percent. Programs have been implemented under the provisions allocated in the budget, but there are cases where the progress is less than 50 percent. In the future, steps will be taken to implement the programs properly before the end of the scheduled year. The allocated programs should be implemented and good services should be provided to the people.

**4.2 Budgetary Control**

| <b>Audit Observation</b>  | <b>Comments of the Council</b>   | <b>Recommendation</b>                            |
|---|--|--|
| Due to the preparation of budget estimates without proper forecasting, a variation ranging from 17 percent to 83 percent was observed between the budgeted revenue and actual revenue of 04 revenue subjects in the year under review, and a variation ranging from 11 percent to 52 percent was observed in 08 expenditure subjects. | Subject officers were informed to prepare budget estimates with proper management and proper forecasting, taking into account the shortcomings identified. | Proper forecasting and estimates should be made. |

**4.3 Sustainable Development Goals**

| <b>Audit Observation</b>   | <b>Comments of the Council</b>  | <b>Recommendation</b>  |
|--|---|--|
| 34 development programs for which provisions of Rs. 14,330,000 had been allocated during the year under review to achieve sustainable development goals and targets had not achieved any financial progress during the year. | Although financial provisions were allocated in the 2024 budget, those objectives and programs could not be implemented due to the lack of direct allocations, minimizing welfare expenditures, implementing some programs through donations and grants, and failure to obtain approval for the programs from the Governor. | Action must be taken to achieve sustainable development goals and targets. |