

Kobeigane Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kobeigane Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of changes in equity, Cash Flow Statement 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 Kobeigane 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 statement 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 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 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

Audit Observation	Comments of the Council	Recommendation
(a) The fair value of the lands had been recorded under Land and Buildings at a 43 units of land total value of Rs. 2400 with each land unit valued between Rs. 25 and Rs. 100 without the fair value of the lands being disclosed in the financial statements.	The council does not have sufficient financial resources to have the valuation of lands carried out by the valuation department, and this task will be carried out after collecting the relevant resources.	The fair value of assets should be disclosed in the financial statements.
(b) The value of 37 industrial deposits, totaling Rs. 2,379,812 as of December 31 of the year under review, had not been included in the financial statements.	12 industrial deposits have been settled so far, and the remaining deposits will be investigated and necessary steps will be taken in the future.	The deposit value must be accurately accounted .
(c) During the review year total value of Rs. 475,445 purchased 14 assets had not been accounted.	That corrections will be made through journal entries when preparing the financial statements for the year 2025.	All assets must be properly accounted .
(d) The amount of Rs. 1,747,075 spent on installing a new engine and gearbox for council's van had not been capitalized in during the year.	That steps will be taken to capitalize and correct journal entries when preparing the financial statements for the year 2025.	Capital expenditures must be accounted for correctly.
(e) The value of Rs. 245,040 toilet grant had not been accounted as at 31 st December year of review.	This deficiency will be corrected through journal entries when preparing the final accounts for the year 2025.	Industry creditors' values should be accurately accounted.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
As per the balance of the P.S.07 report of arrears of revenue as at the end of the year under review, there was a difference of Rs. 206,804, Rs. 2,313 and Rs. 833,460 between the balance of arrears of assessment tax, arrears of acreage tax and arrears of rent as stated in the financial statements, respectively.	In calculating the arrears in the P.S. 07 report, revenue receipt in advance are also included. The information for the final account has been provided by balancing the assessment, acreage tax and rent registers. I declare that the arrears given are correct as per the records and the rent arrears given for the final account are also correct as per the records.	According to the P.S 07 report, the arrears of revenue should be reconciled with the arrears of revenue stated in the financial statements.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of schedules, invoices and other necessary documents, it was not possible to satisfactorily examine two accounts amounting to Rs. 887,359	No comments.	Written evidence must be submitted to confirm the balance.

1.7 Non- Compliances

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

Reference to Laws, Rules Regulations etc.	Comments of the Council	Recommendation
(a) Pradeshia Sabha Finance and Administration Rules, 1988 Rule 218	Although the annual land survey activities had commenced in the year 2023, the survey activities had not been completed by the end of the year under review.	Efforts will be made to complete this land survey before the end of 2025. The Pradeshia Sabha rules must be followed.

**(b) Financial Regulations
of the Democratic
Socialist Republic of
Sri Lanka**

F.R. 571

Action had not been taken to regulate 15 overdue deposits worth Rs. 889,969.

The semi-annual list for these deposits has been prepared, and further work will be carried out in 2025 in accordance with F.R. 571.

Financial regulations must be followed.

**(c) Public Administration
Circular No. 162 dated
01 April 1980**

Section 05

An adequate and appropriate control system had not been established and implemented to monitor the daily arrival and departure of officers.

The fingerprint machine is used, and relevant decisions are taken based on its records and signatures. This system will be further implemented in accordance with the provisions of this circular.

Action should be taken as per the circular.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over revenue (deficit) of the Sabha for the year ended 31 December 2024 amounted to Rs. 13,267,522 as compared with the excess of recurrent expenditure over revenue (deficit) amounted to Rs. 9,379,462 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 Council Secretary, the estimated income, billed income, collected income and arrears of income for the year under review and the previous year are shown below.

Source of income	2024 Year			Total Arrears as at 31 December Rs.000	2023 Year			Total Arrears as of December 31 (from billed revenue) Rs.000
	Estimated Revenue Rs.000	Revenue billed Rs.000	Revenue collected Rs.000		Estimated Revenue Rs.000	Revenue billed Rs.000	Revenue collected Rs.000	
(i) Rates and Taxes	2,297	719	623	257	2,262	2,566	2,184	383
(ii) Rent	4,556	5,110	4,945	51	5,015	3,832	3,779	54
(iii) License fees	,1875	704	704	-	1,876	740	740	-
(iv) Other Revenue	29,619	10,873	10,830	44	30,269	24,723	24,629	94
Total	38,347	17,406	17,102	352	39,422	31,861	31,332	531

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Council	Recommendation
(a) Although the expected revenue to be collected in the year under review was Rs. 38.35 million, only Rs. 17.1 million or 45 percent of the planned revenue had been collected by 31st December . It is also observed that the estimated revenue is not being billed and only 50 percent of the estimated revenue has been billed, and the revenue collection performance is at a very low level.	Efforts will be made to collect this arrears of revenue through property seizure programs and arrears revenue collection programs.	Action should be taken to collect the outstanding revenue.
(b) Rates and Taxes		
As of 31st December 2024 out of the total outstanding assessment balance of Rs. 240,772, Rs. 128,963 or 54 percent were old balances of more than 05 years..	Owners of assessed properties with arrears of more than 5 years as of 31st December 2024 have been informed in writing to pay these arrears by 31st March 2025. Those who do not pay will be issued red notices in the future and the property will be confiscated to recover the arrears.	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 of Functions Enacted by the Act

Audit Observation	Comments of the Council	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws were to be enacted to carry out 30 main matters, but as of 31st December 2024 the council had not enacted by-laws for 29 matters.	I have also adopted and implemented 5 by-laws through the Gazette dated 17th June 2011, the by-law on solid waste management, the by-law on public libraries of Municipal Councils/Urban Councils/Pradeshiya sabhas. Furthermore, the by-law on the prevention of public nuisance caused by the poultry industry and the protection of public health has been forwarded to the Department of Local Government for approval. The remaining by-laws will be prepared and approved according to the needs of the jurisdiction and further work will be carried out.	Steps should be taken to streamline the affairs of the jurisdiction by enacting by-laws.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The value of 11 accounts receivable balance items as at 31st December of the year under review was Rs.55,569,936 of which Rs.55,265,149 related to the period from 1 to 5 years and Rs.304,787 was older than 5 years. The management had not paid attention to the recovery of these amounts.	That steps will be taken to recover the outstanding balances this year.	Action should be taken to recover the outstanding balance.
(b) The total value of 08 accounts payable balance items as at 31st December of the year under review was Rs.19,621,105 and previous receipts were Rs.42,788 and according to the time analysis, Rs.333,741 were old balances of more than 05 years in respect of 04 account subjects.	That the identified debt balances will be settled within this year.	Action should be taken to accurately identify and settle outstanding balances.

In the time analysis presented, there was an unidentified expense credit of Rs.2,833,521 and a Industry negative balance of Rs.79,449 as at the beginning of the year under review.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Due to the fact that the council received 26.98 perches less than the portion of public land due to the subdivision of the Kahatagahamula Hena land, the relevant value of Rs. 593,560 was recovered in cash and kept as a deposit since 2020 without being utilized for any purpose that would benefit the residents of the land.	The amount of Rs. 593,560 collected for the portion of land belonging to the council during the land sale of the Kahatagahamula Hena has been deposited and will be used for welfare or development activities that will benefit the residents of that portion of land during this year.	The relevant amount should be used for the welfare of the beneficiaries residing on the land.
(b) Although a recurrent expenditure of Rs. 7,544,063 and a capital expenditure of Rs. 94,205 were incurred for solid waste management in the year under review, only a revenue of Rs. 287,050 was generated from the sale of biodegradable and non-biodegradable waste.	No comments were made.	Promotional programs should be conducted to increase the production of organic fertilizer.

3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) Although street lamp posts should have been numbered and documented accordingly, this had not been done, and a public guardian had not been appointed to ensure the safety of street lamps at all times and that information had not been kept with the council.	The numbering of street lamp posts is currently underway, and the street lamp register will be updated once it is completed.	Assets records must be updated.
(b) The ownership of 05 lands owned by the Council had not been acquired 31st December of the year under review, and an expenditure of Rs. 154,096 had been incurred during the year under review for those assets.	Since the buildings constructed on the lands mentioned here are owned by the council, the relevant expenses for their maintenance are incurred annually. Relevant work is currently being carried out to acquire these lands to the council.	Action should be taken to acquire land ownership.

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| (c) | Out of the 50 cemeteries maintained by the Council, the ownership of 33 cemeteries had not been transferred to the Council by the date of audit. | Requests have been submitted to take over 50 cemeteries and the relevant survey work has been completed. So far, 17 cemeteries have been taken over and further steps are being taken to take over the remaining ones from the Divisional Secretary. | Action should be taken to acquire land ownership. |
| (d) | Although the existing system regarding asset management and maintenance should be personally reviewed from time to time by the head of the institution or another responsible supervisory officer and necessary corrections should be made, attention had not been paid to it. | The Industrial Division operates a vehicle maintenance plan and a land and building maintenance plan for asset maintenance. These maintenance plans are subject to periodic monitoring and are presented in a written document. | Asset management and maintenance procedures should be developed and implemented accordingly. |

3.5 Defects in Contract Administration

Audit Observation

During the year under review, 14 budgeted projects worth Rs. 2,800,000 remained unfinished.

Comments of the Council

That most of the budgeted works have been carried out based on the financial situation of the council and under the rural road development program.

Recommendation

Plans should be developed on a rational basis within the budget limit.

3.6 Human Resources Management

Audit Observation

- (a) There were 06 vacancies and 01 surplus in the approved staff of the Council and recruitment had not been made for the vacancies. During the year under review, Rs. 1,805,148 had been paid as salaries and allowances to 08 employees recruited on casual, substitute contract or daily allowance basis in excess of the approved staff.

Comments of the Council

Although the North Western Local Government Commissioner has informed the relevant appointments and disciplinary authorities about the vacancies in the secondary grade, it has been informed that the relevant officers have not been attached to this office and that steps should be taken to suspend recruitment for the vacancies until further notice in accordance with Management Services Circular No. 01/2020, therefore, recruitment for the primary grade vacancies has not been made.

Recommendation

Recruitment should be done with the approval of the Department of Management Services.

- (b) The relevant investigation into an employee who was suspended from work in November 2022 for committing an undisciplined act had not been completed by 31st December 2024. The necessary steps have been taken to conduct a formal disciplinary investigation into the investigation of the employee who was suspended for committing an undisciplined act. Investigations should be carried out expeditiously.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation

The progress in achieving the goals of the plans prepared for the year 2024 had not been reviewed in a timely manner and 19 key activities included in the action plan had not been completed. Also, the progress in achieving 10 activities was less than 50 percent.

Comments of the Council Recommendation

No comments were made. Projects should be planned and implemented on a rational basis.

4.2 Budgetary Control

Audit Observation

- (a) There was a variation of 15 percent to 125 percent between the estimated and actual revenues of 06 revenue items in the year under review, and a variation of more than 50 percent between the estimated allocation and actual expenditure of 05 expenditure items. Accordingly, the budget document had not been utilized as an effective management control tool.

Comments of the Council Recommendation

Efforts will be made to correct these shortcomings in 2025. The budget document should be utilized as an effective management control tool.

- (b) During the year under review, an expenditure of Rs. 15,606,470 was incurred for 38 unbudgeted industries.

ince proposals are being invited and implemented by the Divisional Secretariat under the Rural Road Development Program, it is not possible to budget those industries, and some of the budgeted industries were included in that list. Plans should be made on a rational basis.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
The Council had not been aware of or paid attention to the United Nations 2030 Agenda for Sustainable Development, and had not identified the Sustainable Development Goals expected to be achieved by the year 2030 and established objectives, targets and indicators for them.	In accordance with the United Nations 2030 Agenda for Sustainable Development, relevant activities will be carried out from the year 2025 and timely and regionally appropriate goals, targets and indicators will be identified and implemented to be achieved by the year 2030.	Sustainable development goals should be established and efforts should be made to achieve those goals.