

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kothmale 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 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 Kothmale Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 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 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) As of the end of the year under review, a total of Rs. 6,554,000 relating to 15 development projects for which agreement had not been entered upon, had been accounted for under creditors.	It will be corrected in the final account of 2025.	Accounts should be prepared correctly.
(b) Rs. 1,247,976 incurred for the renovation of the Town Hall in the year under review had not been capitalized.	It will be corrected in the final account of 2025.	Accounts should be prepared correctly.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
Section 24 (1) (a) (b)	Although there are 518 roads in the road inventory maintained by the Sabha, the data on the roads had not been updated and published in the Gazette.	As soon as the provisions are available, the survey work will be carried out and it will be gazetted in phases.	The relevant work should be carried out to gazette the roads.

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

F.R. 571 (3)	15 lapsed deposits totaling Rs. 800,832 relating to the period 2021 to 2022 had not been settled.	Action will be taken to redeem the deposits or credit them to income.	Lapsed deposits must be settled.
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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 59,482,393 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 55,828,777 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	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
		Rs.	Rs.	Rs	Rs	Rs.	Rs.	Rs.	Rs..
(i)	Rates and Taxes	14,010,000	19,676,362	15,659,584	10,484,230	19,939,000	16,749,870	14,198,053	6,805,497
(ii)	Rent	8,500,700	20,432,439	20,181,537	3,431,012	11,629,000	9,790,886	9,443,236	3,393,610
(iii)	License Fees	9,886,000	12,626,302	12,626,302	-	14,398,500	13,194,254	13,194,254	
(iv)	Other revenue	119,523,642	28,194,158	33,774,760	12,281,834	95,269,000	88,648,333	95,232,603	13,452,356
	Total	151,920,342	80,929,261	82,242,183	26,197,076	141,235,500	128,383,343	132,068,146	23,651,463

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are as follows

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates		
The total assessment arrears of Rs. 6,247,258 as at the end of the year under review consisted of Rs. 3,306,596 due from 1494 assessment units for a period of 1 to 3 years, Rs. 1,002,235 due from 339 units for a period of 3 to 5 years and Rs. 1,452,584 due from 486 units for a period of more than 05 years. The arrears had not been recovered in accordance with Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.	A program will be prepared to recover the arrears and action will be taken to recover the arrears in the coming months.	Arrears of revenue should be collected promptly.
(b) Water charges		
Out of the total arrears of Rs. 3,392,705 as at the end of the year under review, Rs. 1,153,080 due from 139 units between years 01 and 03 and Rs. 103,770 due from 18 units between years 3 and 5 had not been collected.	Special attention will be paid to recovering the arrears and steps will be taken to recover the outstanding water charges within the next two months.	-Do-
(c) Garbage tax		
Out of the total arrears of Rs. 812,390 as at the end of the year under review, Rs. 348,368 due from 50 units for a period of 1 to 3 years and Rs. 60,470 due from 07 units for a period of more than 05 years had not been collected.	Actions are being taken to recover the arrears within two months.	-Do-
(d) Three-wheeler Parking charges		
Out of the total arrears of three-wheeler Parking charges Rs.3,430,760 as at the end of the year under review, Rs. 1,354,850 from 225 three-wheelers for a period of 1 to 3 years, Rs. 793,450 from 54 three-wheelers for a period of 3 to 5 years and Rs. 640,150 from 29 three-wheelers for a period of more than 05 years had not been recovered.	The necessary steps are being taken to prepare and submit documents to the court regarding legal action to recover the arrears.	-Do-

(e) Advertisement board charges

No amount had been recovered during the year from the outstanding Advertisement board fees of Rs. 487,800 as at the beginning of the year under review. Along with the outstanding amount of Rs. 37,600 from the billed income for the year, Rs. 525,400 as at the end of the year had not been recovered.

Action will be taken to find the accused who owe the arrears, report the facts to the court and collect them.

Arrears of revenue should be recovered promptly.

(f) Court fines and Stamp duty

The court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review were Rs. 410,945 and stamp duty were Rs. 11,223,300.

Actions will be taken to collect the money due from the Provincial Council.

Action should be taken to collect the revenue receivables.

3. Operational Review

3.1 Visual irregularities

Audit Observation

An employee working as a laborer at the Helboda Sub-Office had committed an irregularity by collecting license fees of Rs. 317,559 from commercial businesses located within the Sabha area of the Sub-Office in the year 2023 without issuing receipts and without crediting them to the Sabha fund. No investigation had been conducted and necessary action had been taken regarding this employee.

Comments of the Recommendation Sabha

A preliminary investigation was conducted and action will be taken after receiving the report.

The investigation should be completed expeditiously and the recommendations implemented.

3.2 Management inefficiencies

Audit Observation

- (a) The total balance of development projects debtors as at 31st December of the year under review was Rs. 11,543,243, of which the total balance due between 1-3 years was Rs. 942,419, the total balance due between 3-5 years was Rs. 172,372 and the total balance due more than 5 years was Rs. 3,747,048.

Comments of the Recommendation Sabha

The necessary steps will be taken immediately to settle the remaining balance due.

Outstanding debtor balances should be collected.

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| (b) | The balance of development projects creditors payable as at 31st December of the year under review was Rs. 104,362,542. Therein, the total outstanding balances between 1 – 3 years Of Rs. 1,618,337, the balances between 3 to 5 years of Rs. 6,516,499 and the balances above 5 years of Rs. 2,143,126 had not been settled. | This includes the retention money that have not been paid due to the lack of provisions and the retention money that are to be paid, and payments are currently being made. | The outstanding creditor balances should be settled. |
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3.3 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although a land with an area of 02 roods and 29.9 perches, was purchased by the Kotmale Divisional Secretariat on 23 March 2023 and handed over to the Sabha for solid waste management purposes, it had not been put into use by the end of the year under review.	Action will be taken to prepare the fence boundaries and carry out construction work within the coming year.	The property owned by the Sabha should be utilized.
(b)	02 ambulances worth Rs. 534,402 remained idle or underutilized for more than 03 years without being repaired and put into use.	Prices were called but prices were not submitted.	It should be repaired and put into use.

3.4 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The Maldeniya government quarter, the Mahaweli Pre-School sports equipment and the Kotmale Public Market building were allowed to be destroying without repair.	Action will be taken on renovating the official residence and on removing the Sathipola building and using it for another project to generate income for the Sabha.	Properties of Sabha should be repaired and put into use.
(b)	The new toilet at the Harangala Sub-Office, which was constructed using new equipment at a cost of Rs. 1,049,655 in 2020 and 2021, had been left to destroy without being used by the end of the year under review.	There is a water leak and instructions have been given to the technical officer to inspect and carry out the necessary work to restore it.	The defects in the toilet should be completed and put into use.

3.5 Human Resources Management

Audit Observation		Comments of the Sabha	Recommendation
(a)	When comparing the approved staff with the actual staff as at the end of the year under review, there were 21 vacancies in 06 posts.	Recruitment has been temporarily suspended.	Essential vacancies should be filled.
(b)	The outstanding debt of Rs. 92,431 due from a transferred officer had not been recovered for a period of 9 years.	Despite repeated requests to settle the debt, it has not been paid.	Action should be taken to recover employee loan.