

Kuruwita Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kuruwita Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of Finance Operation, Cash Flow Statement, Statement of changes in net assets, 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 Kuruwita Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flow 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.

- 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.
- 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 Except for the observation in paragraph 1.6.1 (e) of this report.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The Non-Current Assets and Contribution from Revenue to Capital Outlay Account was shown to be understated by Rs. 12,036,657 as 04 industries whose work had been completed during the year under review were not capitalized.	That steps will be taken to capitalize when preparing the final accounts for the year 2025.	Capital expenditures must be accounted for correctly.
(b)	Due to the fact that Rs. 386,520 relating to the construction of the side steps of the Kuruwita Pradeshiya Sabha playground, which had been capitalized in the previous year, was capitalized again in the year under review, the contribution from income to non-current assets and Contribution from Revenue to Capital Outlay Account was shown higher by that value.	That steps will be taken to correct the 2025 year final accounts.	Capital expenditures must be accounted for correctly.
(c)	At the end of the year under review, the capital expenditure and current liabilities for the year were shown to be higher by the same amount due to the provision of creditors for 06 industries amounting to Rs. 2,879,635.	That will be done to correct it in 2025.	Creditor provisions must be accounted for correctly.

(d)	The construction of the public toilet in Kuruwita town, which was completed during the year under review, was undercapitalized by Rs. 3,302,302, resulting in the non-current assets and Contribution from Revenue to Capital Outlay Account being understated by that amount at the end of the year under review.	That steps will be taken to correct the 2025 year Final accounts.	Capital expenditures must be accounted for correctly.
(e)	The error pointed out in paragraph 1.2 (b) of the Auditor General's Summary Report for the year 2023, whereby the balance of the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was overstated by Rs. 7,766,798 due to the capitalization of construction costs related to 03 industries twice, had not been corrected in the financial statements of the year under review.	That steps will be taken to correct the 2025 year final accounts.	Construction costs must be accurately accounted for.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 8,914,536 between the balances as per the financial statements and the balances as per the supporting documents at the end of the year under review in relation to 08 accounting items.	That will examine the documents in the future and work to find the reason for these changes.	The reasons for the discrepancies should be identified and corrected.

1.7 Non- Compliances

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 Council	Recommendation
Financial Regulation No. 371(5) of the Financial Regulations Code of the Democratic Socialist Republic of Sri Lanka	Advances totaling Rs. 2,576,548 had not been settled on 24 occasions from 2009 to 2017.	The relevant departments have been informed to settle the advances and the necessary steps are being taken to settle them.	Financial regulations must be followed.

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. 17,877,751 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 58,372,188 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 income	2024				2023			
	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.
Rates and Taxes	7,278,497	7,544,261	7,406,541	11,061,886	8,039,737	9,315,237	9,186,695	10,520,615
Rent	9,687,879	9,870,380	10,288,093	1,561,537	9,620,290	9,824,503	10,004,605	1,604,925
License fees	3,047,750	4,365,663	4,365,663	-	2,311,800	3,150,854	3,150,854	-
Other Revenue	<u>15,994,050</u>	<u>24,750,390</u>	<u>22,424,093</u>	<u>267,724</u>	<u>3,500,000</u>	<u>9,386,486</u>	<u>6,052,682</u>	<u>2,752,573</u>
	<u>36,008,176</u>	<u>46,530,694</u>	<u>44,484,390</u>	<u>12,891,147</u>	<u>23,471,827</u>	<u>31,677,080</u>	<u>28,394,836</u>	<u>14,878,113</u>

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) The outstanding assessment balance of Rs. 12,225,815 as at the end of the year under review included 1,652 assessment units totalling Rs. 6,278,458 which had been outstanding for more than 05 years.	That steps will be taken in the future to recover the arrears.	Action should be taken to recover the arrears of revenue.
(b) The arrears of acreage tax balance of Rs. 708,863 as at the	Once the survey work is completed, officers will be	Action should be taken to settle the

end of the year under review included Rs. 699,514 due from 549 units that had been in existence for more than 03 years.	deployed to collect the relevant arrears of acreage taxes.	arrears balance.
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| (c) The shop rent due for the year under review, amounting to Rs. 90,560, had not been collected from 03 shops owned by the Council as of April 2025. | The lessee has been notified to pay the relevant arrears amount. | Action should be taken to recover the arrears of revenue. |
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3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) In accordance with Section 04 of the By-Law on the Regulation and Control of Public Libraries, the Advisory Committee for the Supervision and General Administration of the Public Library, which should be appointed annually, had not been appointed after the year 2022.	The advisory committee was held in March 2025.	According to the bylaws, the Advisory Committee should be appointed annually.
(b) Asset register relating to 04 asset items totaling Rs. 281,624,252 had not been updated.	That work is being done to update the relevant documents.	Asset registers must be updated.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Title deeds of 02 plots of land measuring 02 roods and 19.65 perches, which were allocated to the Pradeshiya Sabha for public purposes, had not been obtained by the end of the year under review in 02 land auctions conducted in the Pradeshiya Sabha area during the period from 2017 to 2024. Similarly, in two other land auctions conducted during the same period, the fee of 01 percent of the sale value of the land to be	Written notice has been given to the land auctioneers to obtain the deeds of the 02 land plots.	Steps should be taken to obtain the deeds of the 02 plots of land and to collect the fees required to be collected in accordance with the Act.

recovered, as per Section 154 of the Pradeshiya Sabha Act No. 15 of 1987, had not been recovered by April 2025.

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| <p>(b) Although, in terms of the Provincial Councils (Finance and Administration) Rules 59 and 67 of 1988, a survey should be conducted within the jurisdiction of the Council at the beginning of each year and a list of industrial and commercial enterprises should be prepared and submitted to the Secretary before 31st March of each year, such a survey had not been conducted for the year 2024.</p> | <p>The estimated revenue has been collected in the year 2024, and efforts will be made to avoid problems through a survey in the year 2025.</p> | <p>Proceedings should be conducted in accordance with the Provincial Councils (Finance and Administration) Rules, 1988.</p> |
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3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
The conference hall, which was built at a cost of Rs. 34,793,520 in 2022, was still idle as of April 2025 due to the lack of basic facilities such as sanitary facilities, electric fans, and furniture.	An amount of Rs. 15,000,000 has been allocated from the 2025 budget for the completion of the remaining work and it is scheduled to be used after the completion of the remaining work this year.	Arrangements should be made to use the conference hall after completing the basic requirements.

3.4 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
Rs. 65,037 had been overpaid due to the incorrect use of the Provincial Schedule Rate (HSR) for 03 industries operated during the year under review.	No answers were given..	Overpayments must be refunded.