

Kinniya Pradeshiya Sabhaa - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kinniya Pradeshiya Sabhaa 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 Sabhaa 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 Kinniya Pradeshiya Sabhaa as at 31 December 2024, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 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 Principles and for such internal control as management determines 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 Pradeshiy Sabhaa's financial reporting process.

As per Section 16(1) of National Audit Act No.19 of 2018, the Pradeshiya Sabhaa 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 of the Sabhaa.

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 exercise professional judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess 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
- An understanding of internal control relevant to the audit was obtained 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 Pradeshiya Sabha's internal control
- Evaluate the 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
- 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 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 discussions issued by the governing body of the company
- 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 the other legal requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha are consistent with the preceding year as per the requirement of the 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

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabhaa	Recommendation
(a)	During the year under review, the balance of the Local Development Support Project (LDSP) bank current account of Rs. 1,073,045 was not included in the cash balance in the financial statements.	The balance of the LDSP Project Bank Current Account was not included in the 2023 financial report. However, it will be included in the next year's financial report.	Actions should be taken to include the balance of the LDSP bank account in the financial statements.
(b)	The value of the children's park of Rs. 4,208,000 constructed under the Regional Development Assistance Project during the year under review, , was not disclosed in the financial statements..	It will be included in the financial statements of the coming year.	Action should be taken to include the value of fixed assets in the accounts.
(c)	The total value of stationery, electrical items and tires at the end of the year under review, amounting to Rs. 273,670, had not been disclosed in the financial statements.	The closing stock of Rs. 89,613 and electrical items of Rs. 26,407.50 will be included in next year's financial statements.	Actions should be taken to disclose the closing stock of financial statements.

1.7 Non- Compliances

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

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

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabhaa	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (1), (2), (3)	Regarding 78 lapsed deposits of Rs. 1,194,000 for more than 02 years, the Council had not taken actions to return them to the relevant persons or transfer them to revenue.	Appropriate action will be taken in this regard.	Financial regulations should 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. 11,845,037 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 7,753,225 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

The information on estimated income, billed income, collected income and arrears of income submitted by the Sabha for the year under review and the previous year is shown below

Source of Revenue	2024				2023			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	-	-	-	-	-	-	-	-
(ii) Rent	8,375,000	14,757,000	5,154,000	3,221,000	8,350,000	7,000,000	6,678,315	1,671,685
(iii) License Fees	2,645,000	3,245,000	1,118,000	1,527,000	1,040,000	9,000,000	791,935	248,065
(iv) Other revenue	<u>22,112,000</u>	<u>22,112,000</u>	<u>3,081,000</u>	<u>19,031,000</u>	<u>188,500</u>	<u>150,000</u>	<u>273,030</u>	<u>84,530</u>
	<u>33,132,000</u>	<u>40,114,000</u>	<u>9,353,000</u>	<u>23,779,000</u>	<u>9,578,500</u>	<u>16,150,000</u>	<u>7,743,280</u>	<u>2,004,280</u>

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 Sabhaa	Recommendation
Although the arrears of butcher stall rent amounted to Rs. 7,382,907, no action had been taken to recover this amount.	The outstanding butcher stall rent of Rs.7,382,907 has been pending since the establishment of the Sabha and there is no document in the Sabha regarding this. Action will be taken to write it off with the approval of the relevant authorities.	Appropriate action should be taken to obtain approval and write off the arrears.

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

3.1 Management inefficiencies

Audit Observation	Comments of the Sabhaa	Recommendation
The Sabha had purchased a composite crusher, multi-chopper and composite turner in 2022 for Rs. 2,150,000, but they had not been used for a long time.	Preliminary action will be taken immediately to prepare organic fertilizer from waste using that machinery.	Action should be taken to utilize assets efficiently.

3.2 Assets Management

Audit Observation	Comments of the Sabhaa	Recommendation
(a) The Sabha had not taken actions to repair and reuse 09 vehicles owned by the Sabha or to sell them at auction for over 19 years.	A valuation board will be appointed immediately and these vehicles will be sold appropriately with the relevant valuation reports.	Action should be taken to repair and reuse or dispose of vehicles.
(b) The multi- purpose building constructed in the Upparu area in 2016 at a cost of Rs. 897,155 had not been used by the Sabha for over 8 years, leaving that building in a state where certain illegal activities could take place.	Since the church's administrative council has requested the building, discussions are being going on to provide it with the approval of the appropriate authorities.	Arrangements should be made to use the multi-purpose buildings appropriately.
(c) A coir production machine worth Rs. 410,000 was purchased under the Provincial Special Development Grant Project in 2022, but it had not been used by mid of the year 2025.	Action will be taken to train employees in coir production and ensure that this machine is used properly.	Actions should be taken to use that machine for the relevant purposes.

3.3 Resources released to other organizations

Audit Observation	Comments of the Sabhaa	Recommendation
In the year 2024 , the Sabha had Rs. 5 million in fixed deposits, but by utilizing that money and other funds of the Sabha, the Sabha	It is revealed that the Honorable Governor of the Eastern Province had given	Appropriate action should be taken in accordance with the

could have implemented the project to install solar energy panels and generated 100 percent revenue. Instead, agreements were signed with a private company to install solar panels on the roof of the Sabha building and receive a revenue ranging from 6 to 18 percent for the Sabha. This agreement to provide 82 to 94 percent of the revenue to the private company was made in violation of the provisions of the Pradeshiya Sabha Act.

approval for this in accordance with the letter of the Eastern Local Government Commissioner No. EP/14/CLG/Rooftop. Solar/2024 dated 2024.06.11. It is stated that action was taken on this project based on that.

regulations of the Pradeshiya Sabha Act.

3.4 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
The services provided to the public by the Sabha remained ineffective due to the failure to fill 05 vacancies at the secondary level.	The Sabha had disclosed the staff vacancies in the monthly staff report.	Appropriate actions should be taken to fill vacancies and provide efficient services to the Public.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
An annual action plan had not been prepared for the activities expected to be carried out by the Sabha in accordance with Public Finance Circular No. 02/2020.	Actions are being taken to prepare a formal action plan to be implemented by the Sabha in accordance with the annual budget.	An annual action plan should be prepared and action should be taken accordingly.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
While four goals had been identified as sustainable development goals, a plan had not been prepared to identify other goals that could be achieved through the economical and efficient utilization of resources and to physically achieve them.	A plan will be prepared to identify sustainable development goals and targets, implement development activities in line with them, and achieve them physically.	Necessary actions should be taken.