

## **Kuchchaveli Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Kuchchaveli Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Balance Sheet as at 31 December 2023, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 the provisions of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of the 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 accompanying financial statements give a true and fair view of the financial position of the Kuchchaveli Pradeshiya Sabha as at 31 December 2023, 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**

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My opinion is qualified 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**

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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)

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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 and Regulatory Requirements

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The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

## 1.6 Audit observations regarding the preparation of financial statements

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### 1.6.1 Accounting Deficiencies

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	<b>Audit Observations</b> -----	<b>Comments of the Council</b> -----	<b>Recommendations</b> -----
(a)	A sum of Rs. 2,657,096 of the outstanding payments for 04 Renovation works in review year had not been shown in the financial statement	Action will be taken to adjust in future	Action should be taken to show the outstanding payments in financial statement.
(b)	68 sewing machines, 150 electric kettles and 18 water tanks with a total sum of Rs. 1,757,037 purchased by sabha in the review year had not been shown as fixed asset in financial statement.	Action will be taken to adjust in future.	-do-
(c)	Mothercare center constructed with a value of Rs. 863,106 in review year had not been shown in the financial statement	Action will be taken to adjust in future.	Action should be taken to show the particular amount in financial statement.

### 1.6.2 Documentary evidenced not made available for Audit

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<b>Audit Observations</b> -----	<b>Comments of the Council</b> -----	<b>Recommendations</b> -----
the Evidences subjected to the 04 Accounts in a cumulative amount Rs. 217,210,559 had not been submitted for audit	The Fixed Asset Register and relevant evidences will be produced in future.	The proper action should be taken to obtain the documents.

## 1.7 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. are shown below.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Pradesha Sabhas Act No. 15 of 1987  Section 149	Action had not been taken to collect the levy for 10 hotel, restaurant & lodging houses approved by sabha	The levy for hotel, restaurant & lodging houses had been collected. the letter notice had been issued to arrears of hotel, restaurant & lodging houses.	Action should be taken to collect the arrears.
(b) Section 571(1)(2) (3) of Financial Regulation of the Democratic Socialist Republic of Sri Lanka	The council had not been taken action in related to the 36 lapsed deposits an amount of Rs. 31,849,992 lapsed over two year.	Action will be taken to adjust in future.	The Action should be taken in term of financial regulation.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of recurrent income over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 27,318,991 against the excess of recurrent expenditure over recurrent income amounted to Rs. 34,206,395 in the preceding year.

## 2.2 Revenue Administration

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

the details 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.

Source of Revenue	2023				2022			
	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	15,615,360	38,540,360	15,334,449	23,206,000	22,224,000	32,791,000	9,866,000	22,925,000
(ii) Rent Income	6,575,400	20,490,400	2,609,370	17,881,030	8,382,000	16,571,000	2,656,000	13,915,000
(iii) License Fees	2,085,200	2,896,593	2,896,592	-	5,975,000	1,987,000	1,987,000	-
(iv) Other revenue	1,762,200	1,347,328	1,347,328	-	1,943,000	4,304,000	4,304,000	-
Total	26,038,160	63,274,681	22,187,739	41,087,030	38,524,000	55,653,000	18,813,000	36,840,000

### 2.2.2 Revenue Collection Performance

Following are observations on the performance of all revenue collections of the council.

	Audit Observations	Comments of the Council	Recommendations
(a)	<b>Rate and Tax</b>		
	The arrears of rate tax were a sum of Rs. 23,206,000 at the ended date of review year. It had an escalation of 60 percent compare to the billed amount of Rs.38,540,360 of that year.	The Action will be taken related to it soon.	Action should be taken to collect the arrears.
(b)	<b>Rent</b>		
	The outstanding arrears of tender leasing a sum of Rs. 14,014,830 had been till 31st December of review year. therein, a sum of Rs. 12,179,493 more than ten years had been as an old arrears balance.	The Action will be taken to adjust in future.	Action should be taken to collect the old arrears balance.

### 3. Operational Review

#### 3.1 Management Inefficiencies

	<b>Audit Observations</b>	<b>Comments of the Council</b>	<b>Recommendations</b>
(a)	Action had not been taken to pay the arrears of electricity bill amount of Rs. 5,497,455 to Ceylon electricity board in 2022 & previous year of that.	The arrears of electricity bill have been paying step by step now.	Action should be taken accelerate to settle the Arrears.
(b)	the penalty imposed due to the late employee's trust fund payments an amount of Rs.1,915,306 had to be paid in term of subdivision 16 of employee trust fund act no 46 of 1980.	Action will be taken to collect from particular person in regard this payment.	Action should be taken to settle the payment on proper period.
(c)	the vehicle parking constructed within office premises in 2021 which had been made the agreement a sum of Rs. 1,531,440 and abandoned after a sum of Rs. 743,637 payment made	This had been occurred in reason of critical situation in the country and lack of income.	Action should be taken to achieve the proper purpose

#### 3.3 Assets Management

	<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a)	Action had not been taken to utilize the public market building complex built an expenditure of Rs. 24,444,588 in 2012.	Action will be taken to renovate as rice mill under LDSP project in future.	Action should be taken to utilize the building.
(b)	The Electrical instruments purchased an amount of Rs. 1,992,850 for providing the digital service in the public libraries had not been utilized to the particular purpose.	In future, A trained officer will be appointed and action will be taken.	Action should be taken to achieve the particular purpose.

### 3.4 Human Resource Management

	<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a)	Action had not been taken to recover more than five years a sum of Rs. 572,802 distress loan and festival advance provided by council to 03 officers.	The Additional action will be taken to write off in term of discussion at Audit Management meeting.	Action should be taken to recover loan advances.
(b)	The council had not been taken action to send the necessary documents to examination department for the verification in purpose of job confirmation on 03 officers who completed probation period.	No reply	the proper action should be taken.

## 4. Accountability and Good Governance

### 4.1 Sustainable development goal

	<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
	The plan for sustainable development goal had not been prepared in terms of the Sustainable Development Act No. 19 of 1917.	Now, the council has been taking action in related to financial provision for achieving sustainable development goal	Action should be taken to prepare the plan.