

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kebithigollewa Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Equity / Net Assets, Cash Flow Statement 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, 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 Kebithigollewa Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

I expressed qualified opinion 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 skepticism 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

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the water fee income receivable from the Yakawewa Water Project as of December 31, 2023 was Rs. 366,190, it was stated as Rs. 166,526, which was Rs. 199,664 less in the Statement of Assets and Liabilities for the year 2023. Although this was disclosed in the Auditor General's summary report on the financial statements of the previous year, no steps had been taken to correct it in the year under review.	Accepted.	The correct value must be accounted.
(b)	In preparing the cash flow statement for the year ended 31 st December of the year under review, instead of adjusting the annual depreciation of Rs. 11,337,773 to the surplus for the year, the accumulated depreciation of Rs. 52,534,018 as at 31 st December 2023 had been adjusted.	Accepted.	The cash flow statement must be prepared correctly.
(c)	Although the increase in payables to be adjusted in the preparation of the cash flow statement for the year ended 31 st December of the year under review was Rs. 39,510,872, adjustments were made to only Rs. 5,583,289.	Accepted.	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
According to the Statement of Assets and Liabilities, the value of buildings, motor vehicles, machinery, concrete roads, interlock roads, other capital assets and culverts was Rs. 51,199,718, but according to the Schedule it was Rs. 42,388,412, a difference of Rs. 8,811,306.	Accepted.	Corresponding reports should be compared with schedules and corrected.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 2,006,687 as against the excess of expenditure over revenue amounted to Rs. 8,847,011 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 estimated revenue, billed revenue, collected revenue and outstanding revenue for the year under review and the previous year are shown below.

2024					2023				
Source of Revenue	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.	Rs.
(i) Rates and Taxes	1,028,100	969,900	891,300	120,600	1,269,000	863,370	863,370		-
(ii) Rent	20,090,777	16,309,024	13,621,005	6,938,887	12,870,665	11,025,542	10,008,894	5,986,695	
(iii) License fees	1,154,738	1,487,005	626,670	1,530,422	410,500	321,900	321,900		-
(iv) Other Revenue	8,099,159	6,616,021	1,338,161	17,837,156	4,291,517	7,547,010	4,130,480	10,271,913	
	<u>30,372,774</u>	<u>25,381,950</u>	<u>16,477,136</u>	<u>26,427,065</u>	<u>18,841,682</u>	<u>19,757,822</u>	<u>15,324,644</u>	<u>16,258,608</u>	

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Rent		
(i)	The arrears of shop rent of Rs. 126,000 due for 04 shops existing since the year 2020 had not been recovered in the year under review and legal action had not been taken in this regard.	That action have been taken to obtain the report of the mediation board.	Legal action should be taken.
(ii)	The stone roller rental fees of Rs. 120,311 from the year 2019 onward and Rs. 12,800 from the year 2020 onward had not been collected in the year under review and legal action had not been taken in this regard.	Preliminary investigations have begun.	Legal action should be taken.
(iii)	The income from the rental of the backhoe loader machine amounting to Rs. 265,900, Rs. 113,103 and Rs. 68,700, respectively, from the years onward 2019, 2020 and 2022, had not been recovered in the year under review and legal action had not been taken in this regard.	That a preliminary investigation has been initiated.	Legal action should be taken.
(iv)	The Gully Bowser rental income of Rs. 82,080, which had been accrued since the year 2020, had not been recovered in the year under review and legal action had not been taken in this regard.	No comments.	Legal action should be taken.
(b)	Other Revenue		
	Court fines of Rs. 6,562,176 and stamp duty of Rs. 10,267,345 that were due to be received from the Chief Secretary of the Provincial Council and other authorities as at 31 st of December 2024 had not been collected.	Accepted.	Action should be taken to recover arrears of fees.

3. Operational Review

3.1 Performing of Functions Enacted by the Act

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.

Audit Observation**Comments of the Sabha****Recommendation**

Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 main matters, but by-laws had not been enacted for those matters as at 31st of December 2024.

Accepted.

Steps should be taken to enact by-laws.

3.2 Management Inefficiencies**Audit Observation****Comments of the Sabha****Recommendation**

(a) Failure to collect and pay an advance when renting out the sabha's road roller, gully bowser and backhoe loader to external parties had resulted in a balance of Rs. 594,194 due from before 2022.

Accepted.

Action should be taken to recover the arrears of revenue.

(b) Action had not been taken to settle the receivable balance of Rs. 1,084,158 due to the sabha from the Local Government Department between 2019 and 2022 and the payable balance of Rs. 1,747,257 due to various creditors between 2014 and 2022.

Accepted.

Debtors and creditors should work to settle their balances.

3.3 Management of Vehicle fleet**Audit Observation****Comments of the Sabha****Recommendation**

(a) No steps had been taken to register 04 vehicles being used by the sabha in the name of the sabha.

Accepted.

Action should be taken to register.

(b) Three vehicles belonging to the sabha had been lying idle for over three years.

Accepted.

Vehicles should be used to maximize the effectiveness of the sabha.

4. Accountability and Good Governance

4.1. Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
(a) The annual action plan had not been prepared to include separately the estimated value of development projects included in the budget estimates for the year 2024.	Accepted.	An annual action plan should be prepared.
(b) Three projects that were not included in the annual action plan and budget estimates were completed during the year under review.	Accepted.	The action plan should be prepared and projects should be carried out in accordance with the annual budget provisions.