

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kelaniya Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, Statement of Comprehensive Income, Statement of Changes in Net Assets/ Equity, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-Section 10 (1) of the 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 accompanying financial statements give a true and fair view of the financial position of the Kelaniya 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 regarding the financial statements 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identified and assessed 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1. Non-compliance with Sri Lanka Public Sector Accounting Standards for Local Authorities

Non-compliance with reference to the relevant Standard	Comments of the Sabha	Recommendation
(a) Even though the financial statements should be accounted on an accrual basis in accordance with paragraph 2.5 of Chapter 2 of the Standard, the stamp duty value of Rs. 344,316,430 and the court fine value of Rs. 5,394,673 received during the year under review for preceding years had been accounted as income in the year under review.	Since the number of deeds written in a year within the limit of the Kelaniya Pradeshiya Sabha and the value of the deeds cannot be stated exactly, the stamp fees and since the number of cases filed by the court under the Excise Act and the National Dangerous Drugs Control Board Act cannot be stated exactly, the Court fine cannot be accounted on an accrual basis.	Action should be taken to account on an accrual basis.

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| (b) | The budgeted information in the budget documents prepared by an entity in accordance with paragraph 3.7 of Chapter 3 of the Standard had not been presented in the financial statements for that period | Actions are being taken in accordance with paragraph 3.17 of Chapter 3 of the Standard. | Action should be taken in accordance with the Standard. |
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1.6.2 Unreconciled Control Accounts or Recorts

Audit Observation	Comments of the Sabha	Recommendation
A difference of Rs. 1,973,680 was observed between the total of the account balances included in the financial statements of the year under review and the total in the schedules in relation to 07 items of accounts.	Action is being taken to rectify the difference.	Action should be taken to find out the reasons for the difference and rectify it.

1.7. Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are shown below.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Section 20 of the Rating and Valuation Ordinance No. 30 of 1946	Even though the rateable property should be assessed by the Government Valuation Department once in 5 years, the bill was based on the assessment conducted in the year 2009.	An advance payment of Rs. 2,194,600 was paid to the Government Valuation Department on 20 May 2024 for the assessment of rates.	Action should be taken in accordance with the Ordinance.
(b)	Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka			
(i)	371	39 advance balances of Rs. 1,493,033 given during the period from the year 1997 to 2024 had not been recovered.	35 out of the 39 advance balances mentioned here are balances that have existed for many previous years.	Action should be taken in accordance with the Financial Regulations.

(ii) 571	389 lapsed deposits of 04 types of deposits amounting to Rs. 6,066,090 had not been disposed.	The relevant deposit holders have been made aware to dispose of the relevant deposits.	Action should be taken in accordance with the Financial Regulations.
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2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 212,706,234 as compared with the excess of revenue over expenditure amounted to Rs. 411,945,994 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the Sabha	Recommendation
It was observed that the current account of the bank maintained a cash balance of more than Rs. 115 million throughout the year 2024 and that the bank balance as at the closing date of January and February 2025 was Rs. 100 million and Rs. 79 million respectively, which indicated that the Sabha had lost income that could have been earned by investing in a fixed deposit or other short-term investment.	In August 2024, an amount of Rs. 100 million, and in February 2025, an amount of Rs. 150 million had been invested in fixed deposits.	The excess money should be invested in short-term investments.

2.3 Revenue Administration

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

According to the information presented by the Secretary, estimated revenue, revenue billed, revenue collected and arrears relevant to the year under review and the previous year are shown below.

2024					2023				
Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	
	Rs. 000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	
(i) Rates and Taxes	55,000	34,401	65,050	43,097	53,600	53,997	61,196	41,372	
(ii) Rents	29,622	33,290	32,847	9,460	29,161	29,061	30,842	10,713	
(iii) License fees	1,500	1,604	1,655	7	1,000	1,321	1,271	59	
(iv) Other Revenue	5,950	7,216	7,611	1,035	5,351	5,850	6,078	1,040	
	92,072	76,511	107,163	53,599	89,112	90,229	99,387	53,184	
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2.3.2 Performance in the Collection of Revenue

The observations on the revenue collection of the Council are given below.

Audit Observation	Comments of the Sabha	Recommendation
(a) There was a difference of Rs. 318,532,200 between the estimated revenue of Rs. 410,604,000 as per the 2024 annual budget and the estimated revenue of Rs. 92,071,800 as per the information submitted to the audit.	Answers have not been given.	Correct estimates should be submitted.
(b) According to the age analysis report, the rates balance in arrears as at the closing date of the year under review was Rs. 43,097,343, of which the balance for more than 10 years was Rs. 10,555,204, the balance for between 05 and 10 years was Rs. 11,140,530, and the balance for between 03 and 05 years was Rs. 6,567,641.	The write-off process is being carried out.	Action should be taken to recover the rates in arrears.
(c) A total value of Rs. 1,527,151 had not been recovered from 06 rates units in arrears exceeding Rs. 50,000 belonging to 04 owners as at the closing date of the year under review, and action had not been taken to seize or recover the arrears on these properties.	Action will be taken to recover them in the future.	Action should be taken to recover the rates in arrears.
(d) Out of the entertainment tax in arrears amounting to Rs. 1,202,012 as at the closing date of the year under review, Rs. 676,060 was due between years 1 and 3 and Rs. 525,946 was due from two cinema halls for less than a year.	Actions are being taken to recover the remaining amount that should be recovered.	Action should be taken to recover the entertainment tax in arrears.
(e) According to the monthly progress report on revenue collection as at the closing date of the year under review, there was an outstanding balance of Rs. 8,472,524 in rent for business places, while the billed rental of business places for the year under review was Rs. 19,092,799, and although the progress in recovery was 65 percent with the rental value being Rs. 12,477,313, the progress in recovery from the deficit had increased from 46 percent to 50 percent with write-offs/rectifications amounting to Rs. 706,463.	At present, actions are being taken to recover the arrears in instalments, and legal actions are being taken to recover the arrears.	Actions are being taken to recover the outstanding rent revenue.

(f)	According to the monthly progress report on revenue collection, as at the closing date of the year under review, a reception hall rent of Rs. 733,489 remained to be recovered, and although it was a balance more than 10 years old, there was no evidence that formal actions had been taken to recover that amount.	At present, the case is in progress and the concurrence has been expressed to pay the relevant amount in instalments.	Action should be taken to recover the arrears of revenue.
(g)	As at the closing date of the year under review, a garbage fee in arrears of Rs. 2,103,030 was to be recovered from 230 institutions, out of these, a total of Rs. 484,000 in outstanding fees exceeding Rs. 25,000 remained to be recovered from 10 institutions.	Outstanding amount is being collected.	Action should be taken to recover the arrears of revenue.
(h)	Schedules had not been prepared and accounted in respect of the court fines due from the Chief Secretary of the Provincial Council and other authorities for the year 2024, and the stamp duties due from the Colombo Land Registrar's Office for the year 2023 and 06 other Land Registrar's Offices for the year 2024.	Since the number of deeds written in a year within the limit of the Kelaniya Pradeshiya Sabha and the value of the deeds cannot be stated exactly, and since the number of cases filed by the court under the Excise Act and the National Dangerous Drugs Control Board Act cannot be stated exactly, schedules cannot be prepared.	Action should be taken to prepare the schedules and account the revenue.

3. Operational Review

3.1 Asset Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	As at 31 December 2024, there were 4,348 books worth Rs. 1,073,588 that were not submitted for the board of survey.	A period of time has already been given to re-examine the availability of these books and provide explanations, and the decisions will be submitted to the committee, and action will be taken in the future to recover this money from the curators of the respective libraries served at that time.	Appropriate action should be taken for the identified variations and the documents should be updated.

(b)	The excavator machine worth Rs. 1,135,000, which had been out of use for more than 06 years, had not been exchanged between local government institutions or, if it was not in a usable condition, action had not been taken to auction or dispose of it formally.	A special survey board has been appointed to dispose of the excavator machine worth Rs. 1,135,000, and further action in this regard is being carried out.	Action should be taken to dispose of it.
(c)	The old crematorium in Hunupitiya had not been operational for about 04 years, and action had not been taken to repair it.	Action will be taken to renovate this crematorium in the future.	Action should be taken to repair it immediately.
(d)	Not Confirming the Security of Assets.		
I.	It is observed that an unauthorized building has been constructed and occupied on the land where the Wanawasala library is located, and the Sabha has not taken necessary action in this regard.	An elderly woman suffering from mental illness is staying in a wooden shed on the land where the Wanawasala public library and the well are located and the Divisional Secretary has been informed to look into the information about her and refer her to an elderly home.	The security of assets should be confirmed.
II.	It was observed that out of 96 lands used by the Sabha, 22 lands do not have plans, and 69 lands do not have legal documents to prove ownership.	It has been accepted.	The security of assets should be confirmed
(e)	The 36 two-storied shops built on an area of 47.85 perches, 14 shops on the ground floor and the upper floor of the new building, were closed contrary to the agreements.	The shops have been closed for a long time contrary to the agreements. The Sabha has already informed the lessees through letters that they will be taken over by the Sabha in the future.	The arrears should be recovered, and action should be taken in terms of the agreements.
(f)	Even though the value of the land with a shop near the Kandy Road on the Tyre Corporation Road, which is located on an area of 1.6 perches 2023 as per the Annual Financial Statement, was accounted under	The new shop will be assessed by the valuation board in the future.	The shop should be assessed and accounted.

lands at Rs. 1,250,000 , it was not observed that the value of the old shop had been assessed and accounted under buildings.

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| (g) | In the year 2024, under the maintenance project of the Mewella Multi-purpose Building, Rs. 2,907,783 was spent on the construction of walls on the upper floor, about 48 feet long and 28 feet wide, using concrete stones and covering it with asbestos. However, since the work had not been completed to a usable level, the expenditure incurred had become uneconomical. | The remaining part will be done in the year 2025. | Action should be taken to complete the work promptly and earn the income. |
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3.2 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
As at 31 December 2024, the total amount of loans and advances due from two employees who were interdicted and 10 officers who left the service, amounting to Rs. 1,298,215, had not been recovered during the year under review.	Action is being taken to recover it.	Action should be taken to recover the outstanding loan balance.