

Kegalle Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kegalle Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Cash Flow Statement, Statement of changes in equity 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 Kegalle Pradeshiya Sabha as at 31 December 2024, 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

I expressed qualified opinion on the financial statement based 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'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 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 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.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The balance of the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was understated by Rs. 2,500,000 due to the fact that the value of a piece of land measuring 7.33 perches, 01 rood, owned by the council, had not been capitalized.	That step will be taken to correct and account for the journal entries.	Capital expenditure should be accounted for accurately.
(b) The capital cost incurred to acquire, purchase or construct fixed assets, which should have been shown under cash flow from investing activities in the cash flow statement, was Rs. 3,852,287, which was shown under cash flow from financing activities.	That effort will be made to present it accurately in the financial statements for the year 2025.	The cash flow statement should be prepared under the correct classifications.

1.7 Non- Compliances

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

	Reference to Non-compliance Laws, Rules Regulations etc.	Comments of the Council	Recommendation
(a)	Section 8.1 of The fuel combustion Public inspection of 05 vehicles Administration owned by the sabha had not Circular No. been carried out as 30/2016 dated 29th scheduled. December 2016	Fuel inspections will be updated before 15 th of May 2025.	Action should be taken as per the circular.
(b)	Paragraph 2.1 of No steps had been taken to Ministry of Finance take over the ownership of a Circular No. vehicle used by the 02/2017 dated 21 Pradeshhiya Sabha. December 2017	The acquisitions are expected to be finalized in the next few months.	Action should be taken as per the circular.

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 48,961,496 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 35,890,664 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 arrears of revenue for the year under review and the previous year are shown below.

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	3,702,850	4,130,162	3,778,700	1,601,514	3,578,150	4,134,358	4,452,973	1,616,569
Rent	2,692,700	2,979,972	2,852,783	271,723	3,113,500	2,844,578	2,732,243	270,834
License fees	979,100	913,278	913,278	-	780,100	749,495	749,495	-
Other Revenue	<u>9,447,500</u>	<u>4,505,544</u>	<u>4,703,544</u>	<u>-</u>	<u>8,659,000</u>	<u>8,470,637</u>	<u>7,070,911</u>	<u>1,399,726</u>
	<u>16,822,150</u>	<u>12,528,956</u>	<u>12,248,305</u>	<u>1,873,237</u>	<u>16,130,750</u>	<u>16,199,068</u>	<u>15,005,622</u>	<u>3,287,129</u>

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	The outstanding assessment tax balance due at the end of the year under review was Rs. 1,420,138, and within that balance, there was a balance of Rs. 546,561 that was older than 05 years.	That step will be taken to prohibit of properties and write off assessments for assessment units that are over 3 and 5 years old.	Action should be taken to recover the arrears of revenue.
(b)	Although property should be assessed once every 5 years for the purpose of levying assessments in accordance with paragraph 02 of Local Government Circular No. 1988/22 dated 17th of May 1988, no reassessment had been carried out after the year 2016.	Relevant information has been sent to the Valuation Department for property valuations.	Action should be taken in accordance with the circular instructions.
(c)	The outstanding acreage tax balance at the end of the year under review was Rs. 181,376, and within that balance, there was a balance of Rs. 151,143 that had been outstanding for more than 05 years.	That step will be taken to cancel acreage tax units that have exceeded 03 and 05 years, subject to proper approval.	Steps should be taken to settle outstanding acreage taxes.
(d)	The arrears of shop rent at the end of the year under review was Rs. 197,883. Although there was a balance of Rs. 86,989 which was more than 05 years, no steps had been taken to collect that arrears of revenue.	It has been agreed to pay the arrears of shop rent balance in installments.	Steps should be taken to recover the arrears of rent.
(e)	Since 03 stalls in the Moronthota New Public Market Complex were not leased during the year under review, the sabha was losing the income it was entitled to.	The shops will be prepared for lease through formal procurement procedures.	Efforts should be made to generate income by renting out shops.

3. Operational Review

3.1 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Rs. 2,025,176 had been spent on the improvement of the Maternity Clinic and Day Care Center under the National Program for Strengthening Pradeshiya Sabhas - 2017. However, due to the lack of a by-law for the operation of the day	Even if the primary purpose for which the money was invested is not implemented, the construction will successfully fulfill a key	Work should be done to achieve project objectives.

	care center or a formal mechanism for paying the salaries of the wardens, the operation of the day care center was limited to 06 months, and the building was being maintained as a storehouse of the sabha since 30 th of March 2023. Also, the playground, which had been built with a fence covered with netting, had also become overgrown. Accordingly, the expenditure incurred had been underutilized due to the non-use of the relevant assets for the intended purpose.	function of the institution.	
(b)	In the year 2021, a biogas unit was constructed adjacent to the Moronthota weekly market site at a cost of Rs. 5,822,738. Although the project proposal aimed to provide electricity to the Moronthota Multipurpose Building, weekly market and shops through the biogas unit using biodegradable waste and gully waste, gully waste had not been used for the biogas unit and electricity had not been provided. Although it was expected to use the liquid discharged from the biogas unit as fertilizer as per paragraph 07 of the project proposal, no liquid fertilizer had been sold by the end of the year under review.	Regarding of the gully waste will be reconsidered in the future, and that although attempts are being made to use the liquid as fertilizer, it is a difficult task in the competitive market.	Action should be taken to achieve project objectives.
(c)	23 balances worth Rs. 732,833, which should have been credited to the council fund, were held in the general deposit account without being taken as income.	Work is currently underway to settle the matter and add it to the revenue.	The relevant deposit amount should be credited to the council fund.
(d)	The responsible party had not been identified and steps had not been taken to recover the loss in relation to the shortage of 199 galvanized pipes and the shortage of a lawn mower worth Rs. 79,900 that had been revealed in the goods survey conducted on 31 st of December 2023.	An investigation is underway to determine those responsible in this regard.	Investigations should be expedited and the responsible parties identified.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
Including the 10-acre land purchased for Rs. 4,000,000 in 2014 for the construction of a waste management center, 9 plots of land worth Rs. 8,030,500, comprising 12 acres, 02 roods and 30 perches, owned by the sabha, remained idle.	Progress is currently being made gradually in stabilizing the boundaries of the council's land properties, maintaining them, and utilizing them for beneficial purposes such as generating income.	The assets of the council should be utilized effectively.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
Three lands, 2 acres, 1 rood and 35.79 perches, owned by the sabha, and three cemeteries had not been taken over.	That necessary arrangement will be made with the Divisional Secretary to take over the ownership.	Action should be taken to take over ownership of the assets.

3.4 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
Although the first phase of the Ranwala Public Market Construction Industry was contracted on 10 September 2021 to be completed within 270 days at a work value of Rs. 30.85 million, the contract was terminated by mutual consent on 10 September 2022 when only a work value of Rs. 6.80 million had been completed. However, the contract was terminated by mutual consent on 10 September 2022. However, the final bill of the industry showed that Rs. 1,440,000 paid for Site in Material had not been recovered from the contractor at the time of cancellation of the contract and the contractor had also taken away the building materials,	The relevant contractor was informed about this, but he has submitted a request to this institution stating that he will have to pay further. Accordingly, the recommendations of the engineer who supervised the work have now been referred to resolve the contradiction matters.	Overpayments should be recovered and action should be taken against officials who recommended and approved payments irregularly.

resulting in a loss of Rs. 1,440,000 to the council fund. Also, Rs. 343,099 had been overpaid for 06 subjects of Extra Work in the industry.

4. Accountability and Good Governance

Sustainable Development Goals

Audit Observation

Although the budget had provision allocated Rs. 3,515,000 to achieve 06 sustainable development goals, the entire provision remain due to non-implementation of the activities for that purpose.

Comments of the Council

That will responsibly carry out the planned tasks in such a way that such a situation is not observed in the coming year.

Recommendation

Action must be taken to achieve sustainable development goals.