

Kirinda Puhulwella Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kirinda Puhulwella Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial and operational performance, statement of changes in net assets and 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 the 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 statement of financial positions as at 31 December 2024 of the Kirinda Puhulwella Pradeshiya Sabha, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 Generally Accepted Accounting Principles, 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 to be prepared.

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:

- 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 the 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 Industry;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources 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 includes 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 the recommendations made by me in the previous year described in paragraph 1.6 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 observations	Comments of the Council	Recommendation
(a) Rs.210,962 spent on the renovation of the Karunodagama Community Hall in the year 2022 was accounted under Land and Buildings.	That, the action will be taken to correct it in the year 2025.	Accurate accounting should be done.
(b) The 19 inventory items costing Rs.199,972 were accounted under Property, Plant and Equipment.	That, the action will be taken to correct it in the year 2025.	Inventory items should be accurately identified and accounted.
(c) Capital expenditure totalling Rs.306,409 had been accounted as revenue expenditure.	That, the action will be taken to correct it in the year 2025.	Revenue expenditure and capital expenditures should be accurately identified and accounted.
(d) Interest income of Rs.55,905 receivable for 02 fixed deposits had not been accounted.	That, the action will be taken to correct it in the year 2025.	Accurate accounting should be done.

1.6.2 Documentary evidences not made available for Audit

Audit observations	Comments of the Council	Recommendation
Due to the failure to submit title deeds for lands and buildings totaling Rs.16.64 million, it was not possible to satisfactorily verify the balance.	That the observations are accepted.	Title deeds should be submitted for the lands and buildings shown in the financial statements.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the recurrent income exceeding the recurrent expenditure of the Council for the year ended 31 December 2024 was Rs.7.39 million and conversely, the recurrent expenditure exceeding the recurrent income of the previous year was Rs.6.57 million.

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year as follows,

		2024				2023			
	Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 Decem ber	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessment and Taxes	979,380	2,071,346	2,135,019	596,406	1,661,562	1,661,155	1,810,035	660,079
(ii)	Rent	6,490,000	3,724,040	3,899,636	248,534	6,394,400	3,858,035	3,810,403	424,130
(iii)	License fee	290,060	452,860	488,785	-	285,060	270,561	272,961	35,925
(iv)	Other Revenue	1,580,900	2,916,849	2,916,849	-	1,638,500	3,845,936	3,845,936	-
		----- 9,340,340	----- 9,165,095	----- 9,440,289	----- 844,940	----- 9,979,522	----- 9,635,687	----- 9,739,335	----- 1,120,134

2.2.2 Performance in collecting Revenue

The observations regarding the performance of revenue collection of the Council as follows,

Audit observations	Comments of the Council	Recommendation
(a) Assessment		
(i) At the end of the year under review, there was an arrears balance of Rs.596,406 in respect of 135 assessment units. Out of which, the balance of more than 05 years in respect of 39 units was Rs.157,306.	Rs.84,269 has been recovered from the outstanding balance and Rs.11,182 has been recovered from 39 units over 05 years.	Actions should be taken to recover arrears of revenue promptly.
(ii) When comparing the assessment billed revenue and the collected revenue of the last 04 years, the collection percentage was in the range of 54 to 73 percent.	Action is being taken to increase this percentage.	Action should be taken to recover arrears of revenue promptly.
(iii) Although 1102 properties belonging to 10 Grama Niladhari Divisions in the Pradeshiya Sabha area of authority had been declared as developed areas in accordance with Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987, assessments had not been levied by the end of the year under review.	That the assessment will be levied immediately after the assessment is completed.	Property valuations should be obtained promptly and assessments should be levied.
(b) Rent		
As of the end of the year under review, there were the arrears of rent of Rs.248,534.	An amount of Rs.69,095 has been recovered and action will be taken to recover the remaining arrears in the future.	A program should be developed to promptly recover arrears of revenue.
(c) License fees		
The 21 businesses had not obtained environmental protection permits, and the Council had lost a total of Rs.103,950 in environmental protection permit fees.	Action will be taken to issue environmental permits to all institutions that are required to issue environmental protection permits in the future.	Action should be taken to check qualifications, issue environmental protection permits and collect fees.

(d) Other Income

As at the end of the year under review, court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.60,000 and Rs.12.42 million respectively.	That the court fines and stamp duty receivable further are Rs.24,000 and Rs.6.8 million respectively.	Action should be taken to recover arrears of revenue promptly.
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3. Operational Review

3.1 Performance of functions assigned by the Act

The following is an observation regarding the performance of the functions that the council was supposed to perform under Section 3 of the Pradeshiya Sabha Act, namely, regulating and controlling matters relating to public health, public utility services and public roads, and ensuring the comfort, convenience and welfare of the people.

Audit observations	Comments of the Council	Recommendation
A permanent and formal program had not been implemented to dispose of the non-biodegradable waste that accumulated daily within the Council area of authority, and the non-biodegradable waste had been disposed of in a pit on the site of the garbage yard without following an environmentally friendly method.	Compost fertilizer is produced using the collected waste, and non-recyclable materials are disposed of properly in a manner that does not cause environmental pollution.	A formal waste management plan should be implemented.

3.2 Operational Inefficiencies

Audit observations	Comments of the Council	Recommendation
In accordance with Section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987, a tax amount of Rs. 204,016 equivalent to 1 percent of the proceeds from the sale of lands within the Pradeshiya Sabha area of authority had not been collected from the Council fund.	That the outstanding amount of Rs. 204,016 has been notified to be paid.	The tax amount should be collected in accordance with the provisions of the Act.

3.3 Human Resource Management

Audit observations	Comments of the Council	Recommendation
Action had not been taken to regularize 23 surplus positions in the staff plan.	That the action will be taken to regularize the redundant positions in the future.	The review for the staff requirement should be done and the staff should be managed.