

Kotapola Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kotapola Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial 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 Kotapola 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. 4.54 million payable to the Local Government Service Pension Fund had not been shown under creditors.	The amounts due for the years 2023 and 2024 have been paid, and the amount of Rs.4.53 million due for 31 December 2022 will be corrected when preparing the 2025 account.	Accurate accounting should be done.
(b) The 46 consumable items with a total value of Rs.304,122 had been accounted under Machinery and Equipment and Furniture and Equipment.	Action will be taken to correct it in 2025.	Current assets and fixed assets should be accurately identified and accounted.
(c) The total payable value in respect of 04 industries had been under-accounted by Rs.640,779.	Action will be taken to correct it in 2025.	Accurate accounting should be done.
(d) The value of books received as donations of Rs.106,835 during the year under review had not been recorded in the library book account and donation account.	Action will be taken to correct it in 2025.	The correct value of books received as donations should be accounted.

(e)	The value of 26 lands and buildings owned by the council had not been assessed and accounted.	That the lands and buildings will be assessed and accounted after the ownership of the relevant lands is confirmed.	Land and buildings owned by the council should be identified, assessed and accounted.
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1.6.2 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Council	Recommendation
Due to the failure to submit updated fixed asset register, detailed schedules, balance confirmations and tax documents, 05 accounting items totaling Rs.54.73 million could not be satisfactorily examined during the audit.	That the observation is accepted.	Evidence supporting the account balances shown in the financial statements should be submitted to the audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent income exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.13.87 million, and conversely, the recurrent expenditure exceeding the recurrent income of the previous year was Rs.1.36 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 following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

		2024				2023			
	Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessment and Taxes	2,562,000	2,876,798	2,647,287	1,311,547	2,014,000	2,653,246	2,616,855	1,082,036
(ii)	Rent	13,996,000	11,950,165	11,721,203	1,219,691	13,617,000	8,685,888	8,962,047	990,729
(iii)	License fee	1,811,000	2,650,154	2,650,154	-	2,112,000	1,484,769	1,484,769	-
(iv)	Other Revenue	14,330,000	13,710,575	13,223,131	2,394,326	16,200,000	13,627,853	14,112,794	1,906,882
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		32,699,000	31,187,692	30,241,775	4,925,564	33,943,000	26,451,756	27,176,465	3,979,647
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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) Assessments and Taxes		
(i) A balance of Rs.66,430 was in arrears as of the end of the year under review in respect of 85 assessment units.	Agreed.	Action should be taken to recover arrears of revenue promptly.
(ii) There was an arrears acreage tax balance of Rs.58,475 at the end of the year under review.	Agreed.	Action should be taken to recover arrears of revenue promptly.
(iii) There was an arrears business tax balance of Rs.767,510 as at the end of the year under review.	Agreed.	Action should be taken to recover arrears of revenue promptly.
(iv) The arrears entertainment tax revenue of Rs.419,132 had not been collected during the year under review.	Agreed.	Action should be taken to recover arrears of revenue promptly.

(v) The receivable water charges amounting to Rs.2.39 million had not been recovered during the year under review.	Agreed.	Action should be taken to recover arrears of revenue promptly.
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(b) Rent

(i) Rent of Rs.1.21 million as of the end of the year under review was outstanding.	Agreed.	Action should be taken to recover arrears of revenue promptly.
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(ii) Action had not been taken in accordance with Section 159(1) of the Pradeshiya Sabha Act to recover the rent receivable of Rs.185,511 from 11 shops owned by the council.	Agreed.	The arrears of revenue should be collected promptly by following the Section 159 (1) of the Act.
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(iii) The rent of Rs.517,111, which has been outstanding for more than 03 years from a fish market had not been collected during the year under review.	Agreed.	Action should be taken to recover arrears of revenue promptly.
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(c) Other Revenues

As of the end of the year under review, Rs.1.67 million and Rs.15.09 million were due from the Chief Secretary of the Provincial Council and other authorities as court fines and stamp duty respectively.	Agreed.	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
The Council had not taken action to enact by-laws for the rental of the auditorium owned by the Council and the collection of income from public leisure places (Patna Burusgala) in accordance with Section 126 of the Pradeshiya Sabha Act No.15 of 1987 by the end of the year under review.	The draft by-laws prepared by the council were forwarded to the Office of the Assistant Commissioner of Local Government for correction of deficiencies by letter dated 05 May 2025.	Action should be taken to collect revenue by enacting by-laws in accordance with the Pradeshiya Sabha Act.

3.2 Identified Losses

Audit Observations	Comments of the Council	Recommendation
A total of Rs.110,771 had been paid as surcharge from the Council Fund due to failure to submit the half-yearly contribution reports to the Employees' Trust Fund accurately and completely on or before the due date.	That the action will be taken to recover the money paid in surcharges after verifying who the subject officers were who performed the subject duties.	The loss incurred to the council fund due to the negligence of the officers in charge of the relevant subject should be recovered from the responsible officers.

3.3 Assets Management

Audit Observations	Comments of the Council	Recommendation
Although according to the Board of Survey reports, 455 units of goods belonging to 37 categories of goods were reported as no physical existence, actions had not been taken to recover the value of those shortage goods from the responsible parties.	Action will be taken to recover the amount from the responsible parties regarding the shortage of goods.	The value of the shortage goods should be promptly recovered from the responsible parties.

3.4 Human Resources Management

Audit Observations	Comments of the Council	Recommendation
According to the staff plan, there were 19 redundant positions as at the end of the year under review.	The Department of Management Services has informed that it cannot consider redundant positions at the primary level and has directed that the positions of Development Officers be approved.	A review of the staff requirements of the council should be conducted and appropriate action should be taken.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observations	Comments of the Council	Recommendation
The 05 projects totalling Rs.9 million included in the annual action plan for the year under review had not been implemented.	Agreed.	The annual action plan should include projects that can be implemented practically, and if the action plan needs to be revised, it should be revised and approved.