Kamburupitiya Pradeshiya Sabha - 2024

--

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kamburupitiya Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, income and expenditure account, 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 Kamburupitiya 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)	When purchasing library books worth Rs.1.03 million, although the value should have been debited to the library books account and credited to the contribution from income to capital investment account, since only Rs.798,392 paid in cash excluding discounts of Rs.233,988 was accounted, the value of the library books was understated by that amount.	Disagree. The value of the books purchased in the year 2024 is Rs.798,392 and according to the inventory of library books, the value is Rs.1.03 million and the difference is a discount of Rs.233,988.	It should be accounted correctly.
(b)	The value of Rs.2.4 million of the project to develop the Pradeshiya Sabha entrance road contracted for the year 2025 had been accounted under capital liabilities in the year under review.	Action will be taken to correct in 2025.	Action should be taken to accurate accounting.
(c)	Capital expenditure totalling Rs.1.36 million during the year under review had not been capitalized under Land and Buildings.	Action will be taken to correct in 2025.	It should be accounted correctly under the Land and buildings.
(d)	The balance of sundry creditors was understated by Rs.0.21 million during the year under review.	Action will be taken to correct in 2025.	It should be accounted correctly.

(e)	The arrears key money of Rs.100,000 had not been accounted in the year under review.	Action will be taken to correct in 2025.	It should be accounted correctly.

1.6.2 Un-reconcile Control Accounts

Audit Observations	Comments of the Council	Recommendation
There was a difference of Rs.178,467 between the balances relating to 02 accounting objects shown in the financial statements and the balances shown in the relevant supporting documents as at 31 December of the year under review.	That the corrections will be made when preparing the final accounts for the year 2025.	Action should be taken to compare and correct the differences in the relevant balances.

1.6.3 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Council	Recommendation
Due to non-submission of the Fixed Asset Register, 02 accounting items totaling Rs.33.19 million could not be satisfactorily examined.	Relevant Fixed Asset Register will be prepared in the year 2025.	The Fixed Asset Register confirming the fixed asset account balances should be submitted for audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.11.99 million, and correspondingly, the revenue exceeding the recurrent expenditure of the previous year was Rs.1.47 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	14,439,080	11,228,951	12,055,551	5,026,703	4,270,000	3,095,961	2,756,975	5,853,303
(ii)	Rent	14,804,600	10,808,215	11,354,812	3,417,594	9,266,800	9,974,533	12,335,479	3,964,191
(iii)	License Fee	2,151,500	1,470,247	1,506,247	-	1,286,500	1,429,581	1,431,881	36,000
(iv)	Other Income	17,695,260	16,584,455	16,584,455	-	27,912,000	22,416,817	22,602,742	-
		49,090,440	40,091,868	41,501,065	8,444,297	42,735,300	36,916,892	39,127,077	9,853,494

2.2.2 Performance in collecting Revenue

The following are observations regarding the revenue collection performance of the council.

	Audit Observations	Comments of the Council	Recommendation
(a)	**Assessment**		
	Out of the outstanding assessment balance of Rs.5.03 million as at the end of the year under review, Rs.567,744 were balances relating to 138 assessment units over 2 years.	An amount of Rs.138,849 has been recovered and actions will be taken to recover the amount of Rs.1,086,015 in the future.	Actions should be taken to recover arrears of revenue promptly.
(b)	**Rent**		
(i)	There was rent income arrears of Rs.3.34 million from 62 shops owned by the council. Out of these, 07 shops had arrears balances of more than Rs.100,000.	It is reported that 03 shops with arrears exceeding Rs.100,000 have been sued and one shop has paid an amount of Rs.128,052 on 19 March 2025 and that the lessees of 02 shops will pay the arrears in instalments.	Actions should be taken to recover arrears of revenue promptly.
(ii)	Although, in accordance with paragraph 04 of the Circular No.SLG/LGC/2010/01 dated 27 December 2010 of the Commissioner of	That the action will be taken to recover the arrears key money.	The key money should be recovered promptly in accordance with

	Local Government of the Southern Province, it was allowed to pay the key money in lump sum or within 06 months upon the approval of the council when the lessee requests, in violation of that, the key money totalling Rs.100,000 had not been collected when 03 stalls were leased.		the provisions of the circular.

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendation
Although 02 years had passed, the total amount of Rs.1.14 million that had been overpaid to contractors on 05 occasions had not been recovered.	Letters have been sent to the Technical Services Officers regarding the non-recovery of the amount of Rs.565,856 and the amount of Rs.579,485 will be credited to the council fund.	Overpayments should be recovered promptly.

3.2 Humana Resource Management

	Audit Observations	Comments of the Council	Recommendation
(a)	According to the staff plan, 43 positions remained surplus as of the end of the year under review.	Action is currently underway to achieve balance based on the staff review.	A review of the staff requirements for the council should be conducted and appropriate action should be taken accordingly.
(b)	The 09 primary grade employees employed by the Council had been assigned other duties without being assigned the duties required for the position and an amount of Rs.5.19 million had been spent from the Council fund as salaries and allowances for those employees during the year under review.	Duties have been assigned to the relevant employees based on the need for service, in accordance with the redundancy in certain positions and the shortage in certain positions within the approved staff.	The actual staff requirement of the council should be reviewed and duties related to the position should be assigned.