

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Kekirawa Pradeshiya Sabha for the year ended 31 December 2022 comprising the Statement of assets and liabilities as at 31 December 2022, Comprehensive Income Statement/ Statement of changes in equity / net assets, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 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 financial statements give a true and fair view of the financial position of the Kekirawa Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard for Local Authorities.

**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 standard 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 Standard 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 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 includes specific provisions for 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 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)	Receipt of goods donation from the Local Government Department amounting to Rs.308,000 was shown as capital grant receipt and as acquisition of capital assets under investing activities in the cash flow statement.	Accept	Only cash outflows and inflows should be considered in the cash flow statement.
(b)	A sum of Rs.1,556,200 which was paid for the purchase of furniture for the new office building on 24 December 2022 had not been accounted for.	-Do-	Assets and income related to the year under review should be correctly identified.
(c)	The 5% withholding tax of Rs.174,680 on interest of Rs.3,493,610 as on 31 December of the year under review on fixed deposits was not accounted as an payable expense.	-Do-	Expenses and current assets related to the year under review should be correctly identified.
(d)	Fixed deposit income for the year under review was understated by Rs.34,055.	-Do-	The correct value should be accounted for.
(e)	Employee loan interest amounting to Rs.565,329 of the under review was shown as cash flow from investing activities in the cash flow statement of the year under review instead of being shown as cash flow from operating activities.	-Do-	The flows under operational activities should be accurately identified.
(f)	Fixed deposits of Rs.59,745,000 and withdrawals of Rs.46,261,824 made during the year was not shown under investing activities in the cash flow statement.	-Do-	The flows under investing activities should be accurately identified.

### 1.6.2 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Council	Recommendation
(a)	Lands amounting to Rs.40,000,000 recognized in the year under review were not shown in the fixed assets register.	Accept	Schedules should be compared with corresponding records.

- (b) According to note 19 of the statement of assets and liabilities of the year under review, the decrease in short-term payables was Rs.14,288,839 but according to the cash flow statement it was Rs.14,059,824 therefore a difference of Rs.229,015 was observed. That there is no difference as per opening balance adjustment. -Do-

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
The updated fixed asset documents on buildings, road culverts and bridges valued at Rs.323,178,124 was not submitted for audit.	Accept	Confirmations must be submitted.

### 1.7 Non- Compliances

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

The instances related to non-compliances with Laws, Rules, Regulations and Management decisions are shown below..

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Council	Recommendation
(a)	Section 182 of the Pradeshiya Sabha Act No. 15 of 1987	Receivable income amount of Rs.968,981 due from the annual lease of the Sabha assets was written off as non-recoverable balance in the year 2022 without formal approval from the Chief Minister of the Provincial Council.	That formal approval for the write-off is being sought.	Deductions should be made only after obtaining formal approval.
(b)	Paragraph iv of Public Administration Circular No. 09/2009 dated 16 April 2009.	Overtime was paid without confirming arrival and departure times by fingerprint machines.	Accept	The circular should be followed.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.19,526,542 as compared with the excess of expenditure over revenue amounted to Rs.25,931,467 in the preceding year.

## 2.2 Revenue Administration

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

Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below

Source of Revenue	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	8,346,305	8,310,096	7,967,449	5,834,240	8,198,230	8,158,681	7,224,176	5,491,593
(ii) Rent	16,545,100	11,559,206	12,244,842	6,060,675	13,384,960	10,622,672	8,566,737	6,746,311
(iii) License fee and Services	5,899,650	4,675,015	4,920,215	345,000	3,615,970	2,720,973	2,687,743	590,200
(iv) Other Revenue	23,376,000	49,893,169	107,199,470	5,835,219	26,055,180	27,052,101	48,887,724	63,141,520
	<u>54,167,055</u>	<u>74,437,486</u>	<u>132,331,976</u>	<u>18,075,134</u>	<u>51,254,340</u>	<u>48,554,427</u>	<u>67,366,380</u>	<u>75,969,624</u>

### 2.2.2 Performance in Revenue Collection

The observations regarding the performance in revenue collection of the council are as follows.

Audit Observation	Comments of the Council	Recommendation
<b>(a) Rates and Taxes.</b>		
(i) The arrears of Rates and Taxes as on 31 December 2022 was amounting to Rs.4,551,829.	Accept	Actions should be taken to recover the arrears of Rates and Taxes according to the Act.
(ii) The arrears of business and industry taxes as on 31 December 2022 was amounting to Rs.264,650.	Part of the outstanding amount has been recovered.	Arrangements should be made to recover the remaining arrears.
(iii) According to the documents, entertainment tax of Rs.773,887 was due for the period from 01 January 1997 to 31 December 2018.	The land where this cinema is located has been sold to another person and as the cinema owner is dead, advice has been sought from the Local Government Department.	An investigation should be conducted on non-collection of entertainment tax on time and related activities should be carried out.

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| (iv)                     | Although assessment of Rates and Taxes should be done once in 05 years, no assessment was done after 2004.   | It has been submitted to the local government department for obtaining a new assessment. | Obtaining new assessments should be expedited.                   |
| <b>(b) Rent</b>          |  |  |  |
| (i)                      | The rent amounting to Rs.2,187,515 receivable for lending of vehicles and machinery, was not collected relating to the year 2020 and 2021.   | Actions will be taken to recover.  | Actions must be taken to recover.                                |
| (ii)                     | Action had not been taken to recover shop rent of Rs.1,594,800 and stall rent of Rs.48,000 as of 31 December 2022.   | Accept   | -Do-   |
| <b>(c) License Fee</b>   |  |  |  |
|                          | Action had not been taken to recover the bill board income of Rs.145,000 receivable from 03 institutions as of 31 December 2022.   | Part of outstanding billboard charges paid.  | Remaining arrears of billboard charges should also be recovered. |
| <b>(d) Other Revenue</b> |  |  |  |
|                          | Court fines amounting to Rs.1,487,088 and stamp duty of Rs.4,348,131 was not received from the Chief Secretary of the Provincial Council and other officials as at 31 December of the year under review. | Action will be taken to recover.   | Recovery should be expedited.                                    |

### 3. Operational Review

#### 3.1 Performance of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) Meat stalls are being run at Kekirawa, Maradankadawala, Bandarapothana, Ulpatha, Aluth Balaluwewa, Ganewalpola, Kollankuttigama and Madatugama, but the Sabha has not provided the necessary Slaughterhouses facilities for those Meat stalls.	Action will be taken to construct.	Action should be taken as per the Slaughter houses Act.

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| (b) | In terms of Section 09 of By-law 32 of the General Standard By-laws Gazette Notification dated 23 August 1988, the council had not taken steps to charge a fee of not more than Rs.10 per 01 kg for using the logo of the council for the beef sold in the cattle slaughterhouses in the Sabha area and to get the details of the slaughtered animals in the relevant format. | -Do-  | Actions must be taken to recover charges and get details. |
| (c) | As the Sabha had not prepared a place for the disposal of gully waste, the council had lost the revenue that could be obtained from the gully bowser.   | A place will be arranged after receiving the funds. | Necessary action should be expedited.                     |
| (d) | The Sabha did not pay attention to the removal of unauthorized constructions in the town of Maradankadawala and the removal of the unauthorized pork shop in Madatugama.  | Action will be taken to formalize and collect fees. | Necessary action should be expedited.                     |

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) The council had taken a decision to rent the warehouse complex belonging to the council at the Chaya Ulpatha at a monthly rent of Rs.10,000 but it had not been arranged to rent it even in the year 2022.	Submitted for approval.	It should be followed up and arranged for rent.
(b) A sum of Rs.100,000 which had been given as support for Dhamma schools and religious places by the provincial culture department in the year 2020, was kept in the General deposit account without being used for the related work.	I will use this money for the relevant matter.	Necessary action should be expedited.
(c) A sum of Rs.173,314 of contributions to public service provident funds levied in the payment of casual employee wages from June to December 2020 was kept in the General deposit account.	Action will be taken to rectify.	Arrangements should be made to send contributions.
(d) No steps were taken to conduct a survey regarding new constructions, re-additions, removals in the area and levy rates and taxes for the temporary assessment.	Accept	A survey should be conducted.

3.3	<b>Assets Management Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
	Action had not been taken to disposed of goods worth Rs.272,625 which were proposed to be removed by the board of survey in the year 2021.	Action will be taken to dispose.	Disposal should be completed promptly.
3.4	<b>Human Resource Management Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	There were 10 vacancies in 05 secondary level posts, 19 vacancies in 06 primary level posts in the cadre of the Pradeshiya Sabha and 23 casual employees were also recruited.	The relevant institutions have been informed about this.	Efforts should be made to fill vacancies and formalize the positions of casual employees.
(b)	Action had not been taken to recover Rs.249,650 due from 04 officers who retired and left the service.	Action will be taken to recover.	Action should be taken to recover.