

Rideemaliyadda Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Rideemaliyadda Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial operations, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 Subsection 172 (1) of the Pradeshiya Sabhas Act No. 15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported 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 financial position of the Rideemaliyadda Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Standards, 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 financial reporting process of the Pradeshiya Sabha.

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 of the Pradeshiya Sabha.

1.4 Audit Scope (Auditor's Responsibility for the Audit of the 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 Pradeshiya Sabha's 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 Pradeshiya Sabha;
- Whether the Pradeshiya Sabha 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)	An amount of Rs.136,125 incurred on 06 units of technical equipment in the year under review had been included in the current assets.	It will be corrected in the preparation of the future financial statements.	Attention should be focussed on the existence of assets and they should be accounted.
(b)	During the year under review, the revenue from court fines had been understated by Rs.472,423 and the revenue from stamp duty had been understated by Rs.3,661,202 in the statement of financial operations.	-Do-	Accounts should be prepared accurately.
(c)	In the year under review, revenue from water had been understated by Rs.533,184 and the revenue from shop rentals had been understated by Rs.28,767 and the revenue from fair rental had been understated by Rs.3,583,197 in the statement of financial operations.	Action will be taken to rectify.	-Do-

1.6.2 Written Evidence not Made Available for Audit

	Audit Observation	Comments of the Council	Recommendation
(a)	Evidence had not been submitted to prove the creditor balance amounting to Rs. 114,912, payable for using the road roller of the Mahiyanganaya Pradeshiya Sabha existed since 2019.	Instructions have been given to verify creditor balances.	Adequate audit evidence should be presented.
(b)	Receivable balances amounting to Rs.2,900,188 existing for more than 10 years had been indicated in the financial statements.	A report will be forwarded to the Honourable Governor to write off the creditor balances that had been existed for a long time.	Balances must be settled.

1.7 Non-compliance

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

Instances of non-compliance to laws, rules, regulations and management decisions are mentioned below.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Council	Recommendation
The Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 104 (4)	Action had not been taken to conduct inquiries in relation to the accidents that had occurred to 06 vehicles belonging to the Council in the years of 2019, 2020, 2022 and 2023 in terms of the Financial Regulations and to submit the reports to the Auditor General.	Full reports will be submitted on the prescribed date.	Full reports on the accidents should be submitted promptly.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, revenue of the Council that had exceeded the recurrent expenditure for the year ended 31 December in the year under review had been Rs. 1,469,115 and in corresponding to that, revenue of the Council that had exceeded the recurrent expenditure in the previous year had been Rs. 1,827,035.

2.2 Revenue Administration

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

According to the information presented by the Secretary of the Council, the information related to the estimated revenue, billed revenue, collected revenue and revenue arrears related to the year under review and to the previous year are mentioned below.

Revenue Source	Estimated Revenue	<u>2023</u>			<u>2022</u>			Total Deficit as at 31 December
		Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
				-				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,805,700	2,468,828	1,336,150	1,132,678	1,842,000	1,397,323	909,532	487,791
(ii) Rents	5,878,200	5,186,649	4,956,985	229,664	6,002,000	3,690,659	5,470,627	-
(iii) License Charges	1,000,500	1,000,500	835,000	165,500	902,500	902,500	820,500	82,000
(iv) Other Revenue	4,000,000	8,474,221	1,169,319	7,304,902	2,160,000	3,955,814	4,881,854	-
Total	12,684,400	17,130,198	8,297,454	8,832,744	10,906,500	9,946,296	12,082,513	569,791

2.2.2 Performance in the Collection of Revenue

The observations regarding the performance in the collection of revenue of the Council are mentioned below.

Audit Observation	Comments of the Council	Recommendation
Court fines amounting to Rs.1,436,391 and stamp duty amounting to Rs.6,169,540 had not been collected as at 31 December of the year under review.	Officers in charge of the subjects have been instructed to prepare the schedules.	Revenue arrears should be delivered promptly.

3. Operational Review

3.1 Performance of Functions assigned by the Act

The following matters were observed regarding the performance of the duties by the Council charged with the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area under Section 3 of the Municipal Councils Act.

Not obtaining the Expected Benefits

Audit Observation	Comments of the Council	Recommendation
Fifty (50) water consumers had not been able to consume water from the water project for a long time as the Public had not obtained water continuously and sufficiently from the Akiriyankumbura water project. Moreover, a sum of Rs.680,865 had been spent as electricity	Answers had not been provided.	Appropriate action should be taken regarding the needs of the water consumers.

charges for the water project for the period of January in the year under review to 30 September since the water motor in the tube well built at the Akiriyankumbura Hospital site to get water for the water project had been operated for 24 hours a day. Accordingly, it had not been possible to obtain sufficient water capacity even though the water motor had been operated by incurring a higher monthly average electricity cost amounting to Rs. 75,651.

3.2 Uneconomical Transactions

Audit Observation	Comments of the Council	Recommendation
In the year under review, 02 shops, which had been built by incurring a sum of Rs.5,200,000 on the financial allocation of the Local Development Support Project (LDSP), had been closed without leasing out them. A sum of Rs.116,458 had been spent for the publication of newspaper advertisements to lease out the shops and for the cancellation of those advertisements.	Newspaper advertisements have been published for the shops to be leased for a period of 03 years as per the recommendations of the Management Committee. Later, since it has been decided to lease out the shops for 25 years as per the instructions of the Commissioner of Local Government, the newspaper advertisements have been published and the advertisements have been cancelled.	Accurate management decisions should be taken.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Water had been provided to 494 consumers through the water projects constructed under the Pura Neguma project, and revenue amounting to Rs. 1,959,039 had been generated from the water projects from January 2022 to September 2023. During that period, a sum of Rs.5,588,951 had been spent for the maintenance of the water project.	Providing clean drinking water to the public is a primary responsibility and due to high maintenance costs of the irrigation scheme, costs have increased and revenue has decreased.	Revenue and expenditure should be managed.

- | | | |
|---|---|---|
| <p>(b) Action had not been taken even in the year under review to settle the advances amounting to Rs.481,487 provided to 13 approved societies under the "Village to Door to Door" road development project in the years of 2014 and 2015.</p> | <p>A report will be forwarded to the Honourable Governor to write off the unsettled advance balances that have been prevailing for a long period.</p> | <p>Advances should be settled immediately after completion of the work.</p> |
|---|---|---|

3.4 Transactions of Contentious Nature

Audit Observation	Comments of the Council	Recommendation
<p>The Council had entered into an agreement with a lessee on 23 March 2021 to develop the two open shop rooms bearing No. 01 and 02 at the premises of the fair located adjacent to the Council building belonging to the Pradeshiya Sabha as one shop by building walls at private expense. Later, another agreement had been entered in to with the lessee on 10 November 2021 to collect the monthly rental amounting to Rs.2,500 for a period of 03 years. Even though 10 other stakeholders in the area had requested to get business premises from the fair ground in the year 2021, those requests had been rejected and the shop rooms had been leased out only to one party outside the formal methodology.</p>	<p>Rentals are being collected by leasing out shops under a lease agreement, and the site will be developed, tendered and leased in due course.</p>	<p>Shops should be properly assessed and leased out.</p>

3.5 Asset Management

Audit Observation	Comments of the Council	Recommendation
<p>(a) Five (05) vehicles belonging to the Council had remained idle for more than a year as they had not been repaired and utilized.</p>	<p>Repairs have not been carried out due to lack of provision.</p>	<p>Vehicles belonging to the Council should be repaired and utilized.</p>
<p>(b) The ownership of 03 tractors, 02 tractor-tailors and one lorry and 03 motorcycles belonging to the Council had not been settled even by 31 December of the year under review.</p>	<p>Action will be taken to transfer to the Council promptly.</p>	<p>The ownership of the respective vehicles should be settled.</p>

3.6 Irregular Transactions

Audit Observation	Comments of the Council	Recommendation
(a) Nineteen (19) Members of the Pradeshia Sabha had been overpaid an amount of Rs.105,357 as councillors' allowances and telephone allowances in March of the year under review.	Several members of the Council have already paid councillors' allowances and telephone allowances, and other parties have been informed in writing.	Overpaid councillors' allowances and telephone allowances should be recovered promptly.
(b) The milometer of the crew cab owned by the Council was inactive from December 2021 to October 2023 and 4590 litres of fuel had been used to travel the distance of 36716 kilometres without the milometer.	Arrangements have been made to import the milometer from the parent company.	The milometer should be installed promptly.