

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Ruwanwella 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 a summary of significant accounting policies and other explanatory 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 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 presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ruwanwella Pradeshiya Sabha as at 31 December 2023, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

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 (SLAuS). 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 Sub-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 Sabha.

1.4 Scope of Audit (Auditor's Responsibilities 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 skepticism 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 Deficiencies in Presentation of Accounts

Audit Observation	Comment of the Council	Recommendation
(a) Journal entries approved as debits and credits of Rs.5,076,258 had been copied to the ledger as Rs. 4,301,258 of debits and Rs. 430,258 of credits.	This was an oversight. That the journal entry will be corrected.	Accounts must be properly prepared.
(b) An approval had not been received for a journal entry of Rs. 4,293,630.	An omission. It had been corrected	- do -

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Land and buildings, Ayurvedic medicines and wooden furniture, which are totalling of Rs.10,520,274 had not been accounted for.	Measures will be taken to correct in the year 2024	Accounts should be properly prepared.
(b) The local government aid debtor receipts, accumulated fund surplus of Rs. 7,170,728 related to the years 2020, 2021 and 2022 received in the year 2023 had been transferred to the deficit account.	- do -	- do -
(c) Even though the audit fees for the year 2020 had been paid, a provision of Rs.200,000 had been made for it. Also, audit fees had not been reserved for the year 2023.	- do -	- do -
(d) The expenditure of the year 2023 had been overstated by Rs. 365,010 due to the payment of the said amount as expenditure related to the year 2022.	- do -	- do -
(e) Balances of Rs.2,267,244 in 12 account subjects had been written off without approval.	It had been done according to the decision of the policy and decision making committee.	A formal approval is required.
(f) Journal entries had not been made to correct the opening balance of Rs.4,130,000 in 02 accounting subjects without a formal approval.	Agreed.	- do -

1.6.3 Non-reconciled Control Account

Audit Observation	Comment of the Council	Recommendation
(a) There was a difference of Rs. 11,563,234 between the balances according to the financial statements and utility documents in relation to 03 accounting subjects.	It will be corrected in year 2024.	Balances should be rectified
(b) There was a difference of Rs.921,918 between the balance of 07 account balances as per the financial statements and according to the goods survey reports as AT 31 December 2023.	That the difference will be found and corrected.	- do -

1.7 Non-compliances

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

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Council	Recommendation
(a) Section 159(1) of the Pradeshiya Sabhas Act (No. 15 of 1987)	Even though it had been informed responsible officials by the local government commissioner to collect an outstanding amount of Rs. 201,809 between the years 2001 – 2015 from tendered meat, fish shops and public toilets, it had not been collected.	Necessary measures are currently being taken and will be completed to some extent at the end of the year.	Measures should be done according to the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
----- (i) Financial Regulation 371(2)	The delay of a range between 07 days and 04 months had been taken in settlement of 10 “ad hoc” Sub-Imprestts after the completion of the relevant work.	That the relevant staff has been informed in this regard	Measures should be taken according to the Financial regulations.
(ii) Financial Regulation 571(3)	Deposits of Rs.643,548 that exceeded 02 years had not been settled and public market pre-paid money (Key money) of	Arrangements are being made to release	- do -

Rs.3,539,450 had been withheld in the deposits that have public deposit account for a period exceeded 02 years. between 02 years and 10 years without including in the income.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 2,108,248 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 12,203,932 in the preceding year.

2.2. Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

According to the information presented by the Secretary, information on the estimated revenue, billed revenue, collected revenue, and outstanding revenue relating to the year under review and the preceding year, is given below.

Source of Revenue	2023				2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	8,377,360	8,375,042	5,198,885	2,758,399	5,990,289	8,467,619	9,165,795	4,586,367
Lease Rets	30,164,250	22,826,395	21,541,467	2,812,726	18,738,663	21,300,685	24,054,670	6,847,788
License Fees	775,050	775,050	809,925	-	695,050	691,225	633,000	-
Other Income	<u>17,140,000</u>	<u>17,140,000</u>	<u>19,422,422</u>	<u>2,773,554</u>	<u>3,219,578</u>	<u>13,788,054</u>	<u>8,877,358</u>	<u>8,979,131</u>
	<u>56,456,660</u>	<u>49,116,487</u>	<u>46,972,699</u>	<u>8,344,678</u>	<u>28,643,580</u>	<u>44,247,583</u>	<u>42,730,823</u>	<u>20,413,286</u>

2.2.2 Performance in Collecting Revenue

Audit Observation	Comment of the Management	Recommendation
(a) The balance due from rent, acreage tax and other revenue as at 31 December 2023 is Rs. 13,259,833 and that balance includes a balance of Rs. 5,338,925 which is over 05 years.	The necessary legal proceedings and plans have been prepared for recovery of arrears.	Arrears should be collected promptly.

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|-----|---|---|--------|
| (b) | An amount of Rs. 592,440 had not been collected from 05 shops in relation to the years 2018 and 2022. | Dues had been paid by 03 shops. Necessary measures are being taken for the rest of the shops. | - do - |
| (c) | The outstanding billboard income in the years 2021, 2022 and 202 was Rs. 234,200. The arrears could not be accurately ascertained due to the fact that the arrears of billboard fees had not been brought forward annually. | It has now been fixed | - do - |

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Follow ups had not been held for 44 complaints regarding unauthorized constructions and no action had been taken to prosecute those constructions.	Complaints are being dealt with and no cases had been filed as no problems had been arisen in removing illegal constructions.	Actions should be taken according to the laws and rules related to unauthorized construction.
(b) According to the instructions of the Secretary of the Ministry of Power and Energy, 1459 street lamps had been installed without the relevant approval and none of them had been inventoried.	No answers had been given.	Instructions of the Ministry Secretary should be followed.
(c) Even though the tenders had been called, an income of Rs. 2,121,140 had been lost since 03 butchers, a land plot and a public toilet could not be leased in the year 2023.	That the tenders had not been executed due to various deficiencies.	Revenue should be collected promptly.
(d) Rs. 1,590,906 had to be paid for the cases assigned due to non-payment of rent from the leased properties on time.	Efforts are being taken to recover from the concerned officials.	Losses should be settled immediately.
(e) No agreements had been signed for 36 shops for the year 2023.	No answers had been received.	It should be reached agreements and earn income.

3.2 Human Resource Management

Audit Observation

An old loan balance of Rs.365,161 remained uncollected from 06 officials from the year 2002 to 2021.

Comment of the Management

Measures are being taken to collect this loan.

Recommendation

Debt balances should be recovered promptly.

3.3 Operating Inefficiencies

Audit Observation

(a) Rs. 134,138 that should be taken as council revenue had been kept in the deposit account.

(b) A Maha sabha decision had been taken to plant a forest on an unsettled and land on which the area is unknown.

Comment of the Management

Measures are being taken to take to the revenue.

Necessary measures are being taken to confirm that it belongs to the council.

Recommendation

Revenue should be properly accounted for.

The ownership of assets should be settled.