

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rambewa Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, 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. 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 financial position of the Rambewa Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards 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 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 Sri Lanka Public Sector Accounting Standards 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 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 Non-compliance with the Sri Lankan Public Sector Accounting Standard for Local Authorities

Non-compliance with the reference to the Standards	Comments of the Sabha	Recommendation
In accordance with Sri Lanka Public Sector Public Accounting Standard No. 3.7 for Local Authorities, the budgeted information in the budgeted documents prepared by the entity should be presented in the financial statements for that period, but the cash flow statement was presented without budgeted information.	Accepted.	Sri Lanka Public Sector Accounting Standards should be followed.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The capital expenditure grant value of Rs.796,196 recognized in surplus or deficit was not shown in the statement of comprehensive income.	Accepted.	Capital grants should be disclosed in the statement of comprehensive income.
(b) 02 tractors with a value of Rs.6,598,000 received as capital grants in the year 2023, had not been shown as capital grants in the comprehensive income statement and as property, plant and equipment in the statement of assets and liabilities.	-Do-	Capital asset receipts should be shown under property, plant and equipment.
(c) The minimum stamp duty revenue to be received for the years 2022 and 2023 should be Rs.1,375,700 but it was understated as Rs.250,000. Therefore, the stamp duty revenue receivable had decreased by that value.	Accepted.	Correct value should be accounted for

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the trial balance , the value of the furniture was Rs.1,581,066, but according to the ledger account and note No. 16, it has shown as Rs.1,287,835, so a difference of Rs.293,231 had been observed.	Accepted.	The reasons for the difference should be found and corrected.
(b) According to the ledger account, the sum of court fine income and stamp duty income due on 01 January 2023 was Rs.2,511,862, but according to the schedule it was Rs.705,633, therefore a difference of Rs.1,806,229 had been observed.	-Do-	-Do-

1.6.4 Lack of Written Evidences for Audit

Subject	Amount	Audit Evidences not submitted	Comments of the Sabha	Recommendation
(a) Temporary Pension	Rs. 57,927	Schedules, Age Analysis and Balance Confirmations	As the information cannot be found, it cannot be settled.	Corroborating written evidence must be submitted.
(b) Miscellaneous	287,369	-Do-	-Do-	-Do-
(c) Contract Advance	20,000	-Do-	-Do-	-Do-
(d) Contractors Guarantee	63,080	-Do-	-Do-	-Do-
(e) Other Security Deposits	7,465	-Do-	-Do-	-Do-
(f) Other Deposits	1,693	-Do-	-Do-	-Do-
(g) Courts Deposits	9,486	-Do-	-Do-	-Do-

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of expenditure over revenue of the Sabha for the year ended 31 December 2023 amounted to Rs.10,685,007 as compare with the excess of expenditure over revenue amounted to Rs.15,326,002 in the preceding year.

2.2 Revenue Administration

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

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

Source of Revenue	2023				2022			
	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	2,471,502	1,881,326	2,204,794	3,098,448	2,267,502	2,564,612	1,566,997	3,421,916
(ii) Rent	15,561,000	8,043,815	8,172,475	5,785,490	11,780,000	4,877,120	4,257,224	5,914,150
(iii) License Fee	2,038,620	1,104,910	755,650	1,455,260	1,788,620	1,464,010	1,098,880	1,106,000
(iv) Other Revenue	8,150,802	7,963,248	7,707,012	2,791,324	7,540,080	2,162,575	4,996,473	2,535,088
	<u>28,221,924</u>	<u>18,993,299</u>	<u>18,839,931</u>	<u>13,130,522</u>	<u>23,376,202</u>	<u>11,068,317</u>	<u>11,919,574</u>	<u>12,977,154</u>

2.3.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes Out of the outstanding Rates and Taxes of Rs.1,368,047 as on 01 January of the year under review, a sum of Rs.834,509, which was 61 percent, had not been recovered, and Rs.264,351, which was 43 percent of the rates and taxes for the year under review, had not been recovered.	That the arrears of rates and taxes will be collected in the near future.	Efforts should be made to recover current year and arrears rates and taxes.

(b) Rent

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| (i) | A sum of Rs.643,960 which was 32 percent of the rent of Rs.1,987,010 due for the year under review for 19 shops belonging to the Sabha had not been collected. | Shop nos 01,03 and 04 have not been contracted for the year 2023, so it has not been possible to recover. | Action should be taken to be contracted and recovered. |
| (ii) | The rent arrears of Rs.2,774,005 which should have been collected on 01 January 2023 for leasing the assets had not been collected even in the year 2023. | That letters have been sent to the concerned lessees for recovery. | Action should be taken to recover arrears of rent. |
| (iii) | A sum of Rs.2,060,525 receivable for the rental of three vehicles from the year 2019 had not been collected even in the year 2023. | That it has not been possible to identify the persons from whom these rents are to be collected, and that an investigation has been made, but no report has been received so far. | Investigation reports should be obtained and recovered. |

(c) License Fee

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| (i) | A sum of Rs.352,750 due for outstanding license fees as at 31 December of the year under review had not been recovered. | Action will be taken to recover | Actions should be taken to recover outstanding license fees. |
| (ii) | Arrears of fees receivable from billboards amounting to Rs.317,510 had not been recovered during the year under review. | That a part of this arrears has been received and that proceedings are being taken to recover the rest of the arrears. | Arrears of billboard fees shall be recovered. |

(d) Other Revenue

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|---|---------------------------------|-----------------------------------|
| Court fines of Rs.2,411,916 and stamp duty of Rs.250,000 that should have been received on 31 December 2023 from the Chief Secretary of the Provincial Council and other authorities had not been received. | Action will be taken to recover | Action should be taken to recover |
|---|---------------------------------|-----------------------------------|

3. Operational Review**3.1 Performance of functions assigned by the Act**

The matters observed regarding the accomplishment of the functions that should be discharged by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabhas Act, such as, 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, are mentioned below.

Audit Observation

By-laws could have been enacted to fulfill 30 main matters under Section 126 of the Pradeshiya Sabha Act, but no by-laws had been enacted for those matters by 31 December 2023.

Comments of the Sabha

Accepted.

Recommendation

Arrangements should be made to enact by-laws.

3.2 Visible Frauds**Audit Observation**

An officer who served in the position of Shroff was suspended for defrauding the Sabha fund by not crediting a sum of Rs.349,515 received daily to Shroff in the 02 months of September and October 2023 and the Pradeshiya Sabha rules 13, 14, 15 had not been followed to carry out a formal disciplinary inquiry and recover the loss from the responsible party.

Comments of the Sabha

That the investigations related to this are currently being conducted, and that once reported, financial rules 13, 14 and 15 will be followed.

Recommendation

The recommendations of the test reports should be followed.

3.3 Management Inefficiencies**Audit Observation**

- (a) The Sabha had not received any income for the water sold through the RO water filtration system at Walawahangunwewa.

Comments of the Sabha

Walawahangunwewa RO water filter is being used to earn money.

Recommendation

Checks should be done and money should be recovered.

- (b) Due to not conducting a formal survey of the Rambewa weekly Fair and not monitoring the collection of income, the Sabha did not receive the correct income from the weekly Fair.

That a formal survey of this Fair will be conducted and specific fees will be determined and collected.

Surveys should be conducted and fees collected correctly.

- (c) The fish stalls that were built at the Rambewa weekly Fair site were built too high, so they remained idle.

That this situation will be rectified during the modernization of the weekly Fair.

Necessary corrections should be expedited.

3.4 Assets Management

Audit Observation

Due to the lack of security fence and gates around Rambewa weekly Fair premises, the equipment in the toilet system had been taken away by thieves and the weekly Fair premises was being used for selling drugs and other illegal activities.

Comments of the Sabha

That this situation will be rectified during the modernization of the weekly Fair.

Recommendation

Necessary corrections should be expedited.

4. Accountability and Good Governance

4.1. Annual Action Plan

Audit Observation

An annual action plan has not been prepared for the tasks to be performed by the Sabha according to the annual budget.

Comments of the Sabha

Accepted.

An action plan should be prepared annually in line with the budget.

4.2 Environmental Issues

Audit Observation

An environmental license for the waste management center at Sandamalgama, which was started in 2015, had not been obtained even in the year 2023.

Comments of the Sabha

Accepted.

Recommendation

Arrangements should be made to obtain an environmental License.