

Rathtota Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rathtota Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, 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 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 Rathtota Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices

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 Practices, 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 Conformity 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 Sabha	Recommendation
(a) During the payment of Rs.431,999 which was made as warehouse creditor in the previous year, other creditors had been debited without debiting the warehouse creditors.	It will be corrected in the future.	It should be accounted correctly.
(b) Stationery purchased during the year under review, amounting to Rs.1,483,136, was not credited to the warehouse creditor account	-Do-	-Do-
(c) Five (5) lands worth Rs.135,500 and 02 buildings worth Rs.84,350 included in the fixed assets register were not accounted for.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.27,644,913 when comparing the balances of 07 account subjects shown in the financial statements with the balances of their schedules.	The information is being identified.	Account balances should be corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
(a) Due to non-submission of files, documents and updated income documents related to 09 asset subjects totaling Rs.792,800 and 04 liability	The information is being identified.	Documents and files should be maintained to verify each balance.

subjects totaling Rs.5,257,725 shown in the financial statements of the reviewed year, they could not be verified satisfactorily during the audit.

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| (b) | A trade license outstanding balance of Rs.405,686 over 5 years as on 31 December 2023, had not been collected. | It is a balance that has existed for a long time and action is being taken to write off from the records. | Arrangements should be made to collect the money due. |
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1.7 Non- Compliance

1.7.1 Non-Conformity with Laws, Rules, Regulations and Management Decisions etc...

Non-Compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

Reference to Laws, Rules Regulations etc	Non-Conformity	Comments of the Sabha	Recommendation
(a) Parliament acts			
(i) The Local Authorities (Standard By-Laws) Act No. 06 of 1952	Standard by-laws regarding parking of three-wheelers	Arrangements were not made to regularize, control and collect charges from the three-wheeler parks operated in the Sabha area of authority.	Three-wheeler parking lots have been identified, formalized and the relevant fees are being charged.
(ii) Pradeshiya Sabha Act No. 15 of 1987	Section 24	A register including all the roads belonging to the Sabha showing a list of roads and narrow avenues	The provisions of the Act should be followed.
		Land surveying is being done by GPS technology with a surveyor at the	It should be complied with the provisions of the Act.

	maintained by the Sabha, had not been maintained and updated.	division level, and land surveying in 2 divisions has been completed.	
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
	Financial Regulation 571(3)	At the end of the year under review, 75 overdue deposits amounting to Rs.1,384,808 were not settled.	It will be settled in the future. It should be complied with Financial regulation.
(c)	Circulars		
(i)	Paragraph 1(v) of Central Province Local Government Commissioner's Circular No. 2016/3 dated 17 March 2016	Although it was allowed to charge the key money of 6 stalls in Janaka Bandara thennakone Mawatha in installments, the key money and the interest amounting to Rs.3,141,246 were not charged due to the failure to charge an interest calculated based on the Central Bank interest rate.	The files have been checked and the relevant stall owners have been informed in writing to pay the same amount of key money, and the relevant money is being recovered. The instructions in the circular should be followed.
(ii)	Paragraph 02 (a) of Public Administration Circular No. 21/2013 dated 07 October 2013	Holiday pay of Rs.34,920 had been paid to 7 officials for 21 days of holidays that did not complete 8 hours.	In the future, payment will be made after checking whether the duties have been completed for a period of 8 hours. The instructions in the circular should be followed.

2. Financial Review

2.1 Financial Result

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.5,323,490 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 15,916,268 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 presented by the Secretary of the Sabha 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	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	1,315,000	1,415,285	1,292,969	3,001,907	1,315,000	1,365,601	1,327,818	2,879,591
(ii) Rent	4,639,050	5,126,953	4,677,613	3,970,528	4,519,050	5,121,628	5,556,153	3,521,187
(iii) License Fees	1,150,000	1,313,800	1,313,800	406,386	970,000	1,018,450	1,017,750	406,385
(iv) Other revenue water	3,200,000	3,486,153	3,621,298	10,673,585	8,000,000	6,807,310	8,348,935	10,808,730
Total	10,304,050	11,342,191	10,905,680	18,052,406	14,804,050	14,312,989	16,250,656	17,615,893

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below

Audit Observation	Comments of the Sabha	Recommendation
Rates and Taxes Pursuant to Section 158 of the Pradeshiya Sabha Act No. 15 of 1987, an outstanding assessment balance of Rs.594,838 had not been recovered as on December 31 of the year under review from 34 properties with outstanding balances of more than Rs.10,000 per unit.	The arrears of assessment balances will be recovered.	Revenue in arrears should be recovered.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	As of December 31 of the reviewed year, the total of 08 accounts receivable balances was Rs.59,812,113, out of which the uncollected balance of more than 1 year and less than 5 years was Rs.8,458,542 and the balance of more than 5 years was Rs.10,397,409.	The amount due will be recovered.	Receivables should be collected.
(b)	As on December 31 of the year under review, the sum of 04 accounts payable balances was Rs.22,864,441, of which the outstanding balance for more than 5 years of Rs.8,340,991, had not been settled.	The payable balances will be settled in the year 2024.	Payable balances should be settled.
(c)	Between 2018 to previous year, 613 building development applications were received for a period of 4 years, out of which 417 applications were approved, but only 25 Conformity certificates were issued during that period. Also, no follow-up was done regarding 196 applications that were not approved.	Only a part of the building applications could not be approved due to the lack of recommendations from other institutions, and the concerned parties have been informed in writing to obtain Conformity certificates.	Follow-up should be done and necessary measures should be taken and Conformity certificates should be issued.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
According to paragraph 06(I) of the stall rent agreement, the lessee should deposit a deposit with the Sabha before signing the contract, As of December 31 of the year under review, the Sabha had not taken steps to recover the total of Rs. 419,602 security deposit from the 38 stalls whose contract period has expired, and the sum of Rs. 657,250 security deposit from the 58 stalls that are currently running under contract.	The security deposits will be recovered in the future.	The security deposit should be recovered.

3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) At the end of the year under review, there were 15 vacancies in 10 posts and 2 excess in respect of one post in the approved staff of the Sabha.	All recruitments to institutional positions have been suspended by now.	Arrangements should be made to maintain the approved staff.
(b) No action had been taken to recover a total amount of Rs.442,868, from 07 employees who retired, left the service, died and suspended their service, as at December 31 of the reviewed year, which brought forward 2 to 5 years and more than 5 years,	The amount due will be recovered.	Receivables should be recovered.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) The Hela Bojunhala in front of Kuruawawa Children's Park which was built in 2021 at a cost of Rs.2,964,803 without conducting a feasibility study, remained idle for 8 months as of the audit date of February 05, 2024.	Advertisements have been published calling for prices to provide for new buyers and once a suitable buyer comes forward, it will be offered to that buyer.	Arrangements should be made for utilization of assets.
(b) 04 buildings valued at Rs 31,207,188 owned by the Sabha remained inactive and underutilized as at the end of the year under review.	Action will be taken to develop in the future.	-Do-

3.5 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
(a) During the sub-division and sale of land, the ownership of 03 plots of land given to the Sabha was not taken over.	3 lands will be taken over by deeds to the Pradeshiya Sabha.	Arrangements should be made to take over the ownership of the lands.
(b) The ownership of 09 lands worth Rs. 2,178,044 used by the Sabha had not been taken over by the Sabha.	It will be corrected in the future.	Actions should be taken to take over the ownership.
(c) The ownership of the plot of land consisting of an area of 01 acre 01 rood 04 perches allocated to the Sabha from the land sold in the auction called Ratthota Bandarapola Estate, Nildiya Dahara, had not been taken over.	That the two parties will meet and get the deeds of the respective lands and work to settle the tenure of the land.	Arrangements should be made to settle the tenure.

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| (d) | 02 plots of land consisting of an area of 46 perches, which have been assigned to the Sabha from two lands which are being sub-divided and sold at auction, have been allowed for personal use. | An assessment will be obtained regarding the portion used for personal use, and that the amount will be recovered. | It should be used for public affairs |
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4. Accountability and Good Governance

4.1 Environmental issues

Audit Observation	Comments of the Sabha	Recommendation
07 businesses, whose environmental protection license had expired, had not renewed their environmental license, and the relevant officials had not conducted a field inspection to confirm whether the concerned businesses had closed or were still operating.	Concerned parties will be informed and future actions will be taken	It should be act with proper supervision.