Rajanganaya Pradeshiya Sabha – 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rajanganaya Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Net Assets /Equity, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, 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 Rajanganaya Pradeshiya Sabha as at 31 December 2024, 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 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
The difference was Rs. 18,974,082 as the value of fixed assets purchased during the year under review was Rs. 49,416,259 instead of Rs. 30,442,178 in the cash flow from investing activities in the cash flow statement.	That difference will be adjusted and the corrected cash flow statement will be presented.	The correct value must be indicated.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of expenditure over Revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 3,167,486 as compared with the excess of expenditure over revenue amounted to Rs. 8,332,419 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, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

		2024				2023			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	1,454,000	1,641,350	1,629,950	11,400	1,146,600	2,136,555	2,180,555	400
(ii)	Rent	13,439,162	14,080,860	9,188,700	4,892,160	15,566,838	9,636,323	9,508,176	5,413,310
(iii)	License fees	393,600	290,050	290,050	-	415,250	504,225	730,650	-
(iv)	Other Revenue	39,536,076	57,698,454	30,269,863	27,428,591	15,465,500	7,959,557	11,277,183	4,051,778
		54,822,838	73,710,714	41,378,563	32,332,151	32,594,188	20,236,660	23,696,564	9,465,488

2.2.2 Performance in Revenue Collection

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

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	Audit Observation	Comments of the Sabha	Recommendation
(a)	**Rates and Taxes**		
(i)	Although Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987 requires rates to be made based on the annual value of immovable property or a type of immovable property situated in developed areas within the sabha area of authority, no steps had been taken in 2024 to identify those areas and impose rates in accordance with the instructions of the Act.	It is kindly noted that the work has been completed in January 2025 and it is possible to collect from 2026.	Action should be taken in accordance with the Pradeshiya Sabha Act.
(ii)	Water connection charges of Rs. 29,769 outstanding from 09 individuals since 2020 had not been recovered by the end of the year under review.	That action will be taken to disconnect the connections of those who do not pay their dues and to collect all remaining outstanding fees within the year 2025.	Action should be taken to recover arrears of revenue..
(iii)	The amount of Rs. 337,880 of water bill charges receivable in the year under review had not been collected by the end of the year.	The water connections of customers in arrears will be disconnected and all outstanding charges will be collected within the year 2025.	Action should be taken to recover the arrears of revenue.
(b)	**Rent**		
(i)	Rs. 913,700, which is 85 percent of the amount of Rs. 1,069,200 due for the year under review, had not been collected for 18 shops located in 04 locations belonging to the council.	That recovery efforts are underway.	Steps should be taken to recover the arrears of rent
(ii)	The outstanding rent of Rs. 3,783,260 at the beginning of the year under review for 29 shops belonging to the council had not been recovered as at 31st of December 2024.	That the relevant files for taking possession have been submitted to the Department of Local Government.	Steps should be taken to recover the arrears of rent.
(iii)	The JCB machine rental income of Rs. 154,250 due for the years 2021 and 2022 had not been collected.	That action will be taken to recover it in 2025.	Steps should be taken to recover the arrears of rent.

(iv)	The tender rent amount of Rs. 140,250, which has been outstanding since 2021, had not been recovered by the end of the year under review.	That action have been taken to issue head of demand to file lawsuits for rent arrears.	Action should be taken to recover outstanding rent.

(c) **Other Revenue**

Court fines of Rs. 1,073,418 and stamp duty of Rs. 1,056,000, which were receivable from the Chief Secretary of the Provincial Council and other authorities, had not been collected as of December 31, 2024.	Letters have been sent to the Local Government Department requesting the amount of court fines and stamp duty due.	Action should be taken to recover the arrears of revenue.

3. Operational Review

3.1 Performing of Functions Enacted 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 Sabha under Section 3of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 main matters, but by-laws had not been enacted for those matters as at 31st December 2024.	That the remaining by-laws will be adopted in 2025 in accordance with Section 126 of the Pradeshiya Sabha Act.	Action should be taken to enact by-laws.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The value of buildings in the fixed assets of the year under review had increased by Rs. 37,569,613 and written evidence for the administrative expenses of Rs. 271,392 incurred for the construction of these buildings was not submitted to the audit.	Written evidence was kept to provide to the audit.	Confirmatory audit evidence must be submitted.

(b)	Although the total depreciation value for the year under review was presented in the financial statements as Rs. 16,671,148, the accuracy of the depreciation amount for the year could not be ascertained as the initial accumulated depreciation value of each item was not presented.	That notes were kept to be presented when preparing the accounts for the coming year.	Confirmatory audit evidence must be submitted.
(c)	Out of the officers who were required to deposit security deposits in the Council, 12 officers had not yet deposited security deposits by the end of the year under review.	That steps will be taken to deposit the staff seurities of officers who are required to should keep seurities in the year 2025.	Action should be taken to obtain security deposits from the officers who should be to deposit security deposits.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
The charging of three-wheeler parking fees had been stopped since 2023, but the three-wheeler parking lots had not been removed.	Kindly inform that in recent years, three-wheeler associations have failed to collect the applicable fees in a proper manner.	The assets owned by the council should be used for revenue generation.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
In accordance with paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29th December 2016, a fuel inspection had not been carried out on 14 vehicles owned by the Council that were in running condition.	Not commented.	Action should be taken in accordance with the Public Administration Circular.

3.5 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	As at 31st December of the year under review, there were 03 vacancies in the permanent staff of the Council.	The Department of Local Government has been informed about the relevant vacancies.	Arrangements should be made to recruit within the approved staff composition.

(b)	The loan balance of Rs. 29,811 due from 04 officers who were suspended and the loan balance of Rs. 90,200 due from 07 officers who were transferred had not been recovered.	Accepted.	Action should be taken to recover arrears staff loans.

3.6 Management of Vehicle fleet

Audit Observation	Comments of the Sabha	Recommendation
The cab and tractor used for the running of the council had been kept idle for almost 9 years without being used for running purposes.	It is stated that the cab will be disposed and work will be carried out to repair or disposed the tractor.	Action should be taken to dispose of idle assets or to repair and utilize them.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
There has been no sufficient internal audit in the Council and one audit inquiry was issued to the Council by the Internal Audit Division for the year under review.	Accepted.	Arrangements should be made to conduct an sufficient internal audit.

4.2 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
The council collects garbage only within the urban boundary , 2 days a week, and non-perishable garbage was piled up in the council premises, while the remaining garbage was being taken to the garbage yard.	Since there is no warehouse to store the garbage, it is being sold without storing it for a long time on the council premises.	Waste management activities should be carried out properly.