

## **Raththota Pradeshiya Sabha - 2024**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Raththota Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 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 sub-section 10 (1) of 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Raththota Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

#### **1.2 Basis for Qualified Opinion**

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 this 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 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.

## **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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- Obtained 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 internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 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 include 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**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The total purchase of 09 book shelves and a CCTV camera system worth Rs. 251,720 in the year under review had not been accounted for.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.

### **1.6.2 Unreconciled Control Accounts or Records**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
When comparing the balances of 09 account subjects shown in the financial statements with the relevant documents and schedules as at the end of the year under review, a total difference of Rs. 33,417,192 was observed.	Actions are being taken to find that difference.	Account balances should be reconciled with the relevant schedules.

### **1.6.3 Documentary Evidences not made available for Audit**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Due to the non-submission of files, documents, schedules and updated income statements relating to 16 account subjects totalling Rs. 117,627,552 as at the end of the year under review, they could not be satisfactorily examined during the audit.	Actions are being taken to identify the information.	Relevant evidence should be submitted to verify the account balance.

## 1.7 Non- Compliances

### Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows.

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 122	By-laws had not been enacted or adopted regarding the collection of fees related to the income from the rental of the town hall, rental of the playground, charging fees for pre-schools, rental of vehicles owned by the Sabha, and the sale of tickets to visit the Bambarakiriella tourist spot.	The steps will be taken in the future to draft by-laws and send them for approval.	By-laws should be enacted regarding income-generating areas.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  F.R. 571 (3)	17 lapsed deposit balances of Rs. 1,024,316 had not been settled. .	Action will be taken to settle the deposit balances that can be settled in 2025.	lapsed deposits should be settled.
(c) Central Province Local Government Commissioner Circular No. 2016/3/2 dated 06 December 2018 Section 5	Although the assessed rent should be revised at least once every 5 years, 07 stalls located on Janaka Bandara Tennakoon Mawatha were assessed on 01 November 2016 and 08 years have passed then, but a new assessment had not been carried out.	They agreed to pay this money when the law was implemented in 2024, and are currently working on paying this money.	Rental valuation reports should be obtained and agreements should be revised every 5 years.

## 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 2024 amounted to Rs. 20,753,873 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 5,323,490 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	2024				2023			
	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	1,955,000	1,892,807	2,592,974	2,301,740	1,990,000	1,802,388	1,680,072	3,001,907
(ii) Rent	6,494,050	5,986,490	6,738,422	3,218,595	5,674,050	5,239,437	4,537,670	3,970,527
(iii) License Fees	1,150,000	871,500	871,500	406,386	1,152,250	917,300	917,300	406,386
(iv) Water & Other revenue	46,137,000	41,863,990	25,403,731	43,238,934	45,141,500	29,442,279	25,740,391	26,778,675
Total	55,736,050	50,614,787	35,606,627	49,165,655	53,957,800	37,401,404	32,875,433	34,157,495

#### 2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are as follows

Audit Observation	Comments of the Sabha	Recommendation
<p><b>(a) Rates and Tax</b></p> <p>There was assessment arrears of Rs. 1,828,929 as on 31<sup>st</sup> December of the year under review. Out of this, Rs. 358,317 relating to 261 properties with a unit value of more than Rs. 1,000 and Rs. 735,688 relating to 77 properties with a unit value of more than Rs. 5,000 had not been collected in accordance with Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.</p>	<p>In the future, the revenue in arrears will be collected in accordance with Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.</p>	<p>Arrears of revenue should be recovered promptly.</p>

**(b) Rent**

As at the end of the year under review, a total of Rs. 1,245,965 in stall rent had not been collected from 48 lessees who had not paid rent in the range of Rs. 5,000 to Rs. 100,000 per stall

Necessary steps will be taken to seal stall with arrears balances in the future.

Arrears of revenue should be recovered promptly.

**(c) Licence fees**

As of the end of the year under review, a trade license arrears balance of Rs. 406,385, which had been outstanding for more than 5 years, had not been recovered.

The old balances will be written off with the relevant approval after investigation.

Arrears of revenue should be recovered promptly.

**(d) Other Income**

The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at the end of the year under review was Rs. 29,900,550.

The letters and documents will be brought in and action will be taken to recover them.

Arrears of revenue should be recovered promptly.

**3. Operational Review**

**3.1 Management inefficiencies**

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	The total balance of 05 accounts receivable as at 31 <sup>st</sup> December of the year under review was Rs. 29,375,335. Therein, the balance over 1 year and less than 5 years was Rs. 6,577,969 and the balance over 5 years was Rs. 6,118,484.	Necessary steps will be taken to recover the receivable balances.	Receivable balances should be collected.
(b)	The total balance of 03 accounts payable as at 31 <sup>st</sup> December of the year under review was Rs. 22,251,229. Therein, the balance due more than 1 year and less than 5 years was Rs. 527,524 and the balance due more than 5 years was Rs. 4,457,528.	Action will be taken to settle the arrears balances.	Receivable balances should be settled.

### 3.2 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
(a) When comparing the approved staff and the actual staff as at 31 <sup>st</sup> December of the year under review, there were 15 vacancies in 11 posts.	The need to recruit for vacant positions has been explained and requests have been made for approval to recruit.	Vacancies should be filled.
(b) A total of Rs. 1,243,176 had not been recovered from 12 employees who had transferred, retired, left the service, died and temporarily suspended as of 31 <sup>st</sup> December of the year under review.	That action will be taken to recover the money due.	The amount receivable should be recovered.