

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of Ridigama Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial operations and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 reported 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 Ridigama Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.2 Basis for Qualified Opinion**

My opinion is qualified 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 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 financial reporting process of the Pradeshiya Sabha.

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 to be prepared of the Pradeshiya Sabha.

#### **1.4 Audit Scope (Auditor's Responsibility 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 include 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 regarding the preparation of financial statements

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	The value of a computer worth Rs.90,936 had not been accounted.	That action will be taken to rectify in the preparation of the financial statements in the next year.	Should be accounted accurately.
(b)	Even though the revenue from charges for services under the physical planning programme had been Rs.2,614,112, it had been accounted as Rs. 2,678,239 by overstating it by Rs.64,127.	-Do-	-Do-
(c)	Even though the value to be paid for 171 development projects under Sapirigamak programme in the year 2020 had been Rs. 11,986,131, it had been accounted as Rs. 15,491,998 by overstating creditors by Rs. 3,741,935. Due to the accounting of the creditors in that way, the related debtors had also been overstated by Rs. 3,741,935.	The estimated amount of the projects has been given when providing the money to the creditor and debtor register, which was for the 171 development projects under the Sapirigamak Development Programme in the year 2020, and the amount has changed when preparing the payment reports. Due to this, the creditors and debtors have been overstated and necessary steps will be taken to eliminate it from the documents after making a decision on this change by referring it to the decision committee.	-Do-

- (d) The amount of Rs.170,990 that had to be paid for the development of Pitiyegedara by road had been paid in the year under review, it had again been accounted as creditors. It has again been accounted as creditors by mistake. -Do-

## 1.6.2 Unreconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
There had been a difference of Rs.821,194 between the balances related to 08 accounting subjects totalling to Rs.65,082,022 mentioned in the financial statements as at 31 December of the year under review. and the balances mentioned in the schedule.	That action will be taken to prepare accurate schedules.	The balances mentioned in the financial statements and the balances mentioned in the schedules should take the same value.

## 1.7 Non-compliance

### 1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions.

Instances of non-compliance with Laws, Rules, Regulations and Management decisions are mentioned below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha 1988 (Finance and Administration) Rule 33	Action had not been taken to charge arrears of assessment taxes.	That action will be taken in terms of Rule 33 in relation to the persons defaulting on the payment of assessment taxes.	Action should be taken according to the above rule.

- (b) Circular of the Commissioner of Local Government bearing No. 2019/02 dated 10 January 2019. Even though Key money should be obtained in leasing out the shops of the Trade Complex near Ridigama Hospital, a grace period had been granted to pay the key money in 04 years. As a result, even though agreements had been signed in the years 2017, 2018, 2019 and 2020, a sum of Rs.3,863,000 had not been charged from 07 shops even by 18 November 2022. That Rs.735,000 has been paid, out of the sum of Rs. 3,863,000 that should be recovered in relation to 07 shops, out of the shops, and action will be taken to recover the remaining amount of Rs.3,128,000 after informing them further in this regard. Action should be taken to recover the revenue of the Pradeshiya Sabha.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue, which exceeded the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2022, had been Rs. 21,460,953 as against the revenue, which had exceeded the recurrent expenditure in the previous year had been Rs. 13,117,239.

### 2.2 Revenue Administration

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

Information about estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year is mentioned below.

	Source of Revenue	2022				2021			
		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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i)	Rates and Taxes	4,753	4,910	5,304	3,170	4,752	4,154	2,781	3,564
(ii)	Rents	6,415	5,427	5,624	918	8,360	3,168	2,389	1,115
(iii)	License Charges	1,092	604	604	-	1,090	512	512	-
(iv)	Other Revenue	20,500	20,500	17,930	21,200	27,500	27,500	1,693	26,405
	<b>Total</b>	<u>32,760</u>	<u>31,441</u>	<u>29,462</u>	<u>25,288</u>	<u>41,702</u>	<u>35,334</u>	<u>7,375</u>	<u>31,084</u>

## 2.2.2 Performance of the Collection of Revenue

	<b>Audit Observation</b>	<b>Comment of the Sbha</b>	<b>Recommendation</b>
<b>(a) Assessment Taxes</b>			
(i)	An amount of Rs.2,108,130, out of the deficit amounting to Rs.3,564,335 at the beginning of the year under review, had not been collected from 1083 assessment units in the limits of the Pradeshiya Sabha, and an amount of Rs.1,061,758, out of the amount of billing of Rs.4,756,528 for the year had not been recovered.	A mobile programme for the collection of revenue arrears and mobile programmes for seizure of property will be implemented to recover the remaining assessment revenue promptly.	Action should be taken to recover revenue arrears and billed revenue.
(ii)	The arrears amounting to Rs.939,169 to be recovered from 269 assessment units that had been outstanding over 5 years had not been recovered.	It has already been possible to recover Rs. 91,550, which had exceeded 05 years and should be collected from 269 assessment units, and the remaining balance will be recovered promptly through the implementation of the programmes on the seizure of property.	Action should be taken to recover revenue arrears.
<b>(b) Acreage Taxes</b>			
	Acreage taxes amounting to Rs.206,847 had not been collected as at 31 December of the year under review, and the outstanding balance amounting to Rs.153,438 to be recovered for more than 05 years had been included in that balance.	That the arrears will be recovered promptly after verification of the revenue arrears through a survey.	Action should be taken to recover revenue arrears.
<b>(b) Rents</b>			
	Action had not been taken to recover an amount of Rs. 256,200 that should be charged for the year 2022 from 366 three-wheelers registered in the Pradeshiya Sabha.	Currently, licenses have been obtained for 102 three-wheelers and action will be taken to issue licenses to the remaining three-wheelers promptly.	Efforts should be made to increase the revenue of the Pradeshiya Sabha.

### 3. Operational review

#### 3.1 Non-Utilization of Budgeted Provisions

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
According to the annual action plan prepared, 22 industries, for which budget provision amounting to Rs. 6,600,000 had been made and which should have been fulfilled by the Pradeshiya Sabha had not been accomplished in the year under review.	These projects have been revised and other projects have been implemented and the needs of the people of the limits of the pradeshiya Sabha have been fulfilled after taking decisions by the General Assembly and by the Committees on the request of the honourable House of Representatives and the public in relation to 22 industries, for which budget allocation amounting to Rs.6,600,000 have been made.	Action should be taken in compliance with the action plan.

#### 3.2 Projects that had been abandoned

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
A contract had been entered into on 31 December 2021 for Rs.4,888,346 to develop the playground of Kavisigamuwa Central College under the rural and infrastructure facilities programme of the year 2021 and only a portion of work valued at Rs. 619,480 had been completed and the project had already been stopped.	It has been informed by the letter dated 20/04/2023 to submit information about the construction, which had been stopped halfway by utilizing the provision of the Ministry, and information has been submitted dated 21/04/2023 by including this project also for the purpose of obtaining the provision of the Ministry. The remaining work will be completed immediately after receiving the necessary provision.	Action should be taken in terms of the agreement in relation to not carrying out the construction activities by the contractor.

#### 3.3 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) Action had not been taken to recover the arrears of Rs.221,318 made on a court order to recover arrears for 03 Telambugalle meat shops and Rs.174,000 that had been spent as legal expenses from the defendants.	According to the judgments of the case filled, the lessees were called and discussed regarding the payment of the relevant arrears and legal expenses, and they have expressed their agreement in writing to pay the amount in instalments.	Action should be taken to recover the arrears amounts.

- (b) Even though the project to develop the road up to Karandagolla Dam with culverts had been implemented under Sapirigamak Project of 2020, the Department of Local Government had refused to make payments due to its unsuccessful completion. Action had been taken to account an amount of Rs.1,322,046 as creditors and debtors for that rejected project.
- Even though the written notification was made on 08/10/2021 to get written instructions of the Honourable Minister of Highways and the District Secretary and the Commissioner of Local Government, action will be taken to remove the register of creditors referred to the Monetary Policy and Decision Making Committee as the relevant replies have not yet been received.
- When a project is being implemented, it should be implemented under the supervision of the officers of the Pradeshiya Sabha, who are responsible for the project.