

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ridimaliyadda 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 operation, and other explanatory information, 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 Sub-section 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 presented in 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 Ridimaliyadda Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified based 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 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 Scope of Audit (Auditor's Responsibility in Auditing 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 identify and assess 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.
- An understanding of internal control relevant to the audit was obtained 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.
- 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 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

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- a) Financial statements of the Pradeshiya Sabha are consistent with the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- b) The recommendations made by me in the preceding year in accordance with Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018, have been included in the financial statements presented.

1.6. Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) In excess of the total equity and total liability shown in the statement of financial position as at 31 December of the year under review, total assets had been overstated by Rs. 11,319,414 in the accounts	Action will be taken to make relevant corrections.	Accounts should be prepared correctly.
(b) Total receipts of Rs. 14,000,000 and total payments of Rs. 14,730,009 under the Rural Development Assistance Project during the year under review had not been included in the financial statements of the Sabha.	-Do-	-Do-
(c) A sum of Rs. 3,562,813 had not been credited to the Accumulated Funds Account to correct the creditors balances of 03 construction works carried out under the Pradeshiya Sabha Strengthening Programme in the year 2017.	-Do-	-Do-
(d) A balance of Rs. 1,978,839 in the Accumulated Funds Account in the statement of financial position as at 31 December of the year under review had been stated as a debit balance	-Do-	-Do-
(e) Although the billed stall rent in the year under review was Rs. 1,186,200, it had been brought to account as Rs. 1,133,212.	-Do-	-Do-
(f) Although the employees security investment account of the statement of financial position as at 31 December of the year under review amounted to Rs. 46,005, a sum of Rs. 1,500 had been stated in the employees security investment account.	The officers were instructed to make corrections.	-Do-

1.6.2 Unreconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
The balances of Rs. 41,543,819 of 25 items of accounts as at 31 December of the year under review were not reconciled with the balances as per the statement of financial position, ledger accounts, schedules and PS.07.	Action will be taken to correct the errors after making proper adjustments.	Accounts should be prepared correctly.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
For the confirmation of stock balance worth Rs. 2,949,000, their physical existence had not been properly identified and verification reports had not been furnished. As such, they could not be satisfactorily examined during the audit.	Instructions were given to correct deficiencies.	Stock verifications should be conducted and their reports should be furnished.

1.7 Non-compliance

Non-compliance with laws, rules and regulations

Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to laws, rules, and regulations etc.	Non-compliance	Comment of the Sabha	Recommendation
(a) Sections 23 and 24 (1) of the Pradeshiya Sabha Act No.15 of 1987	No action had been taken to demarcate by permanent marks the limits of the roads and paths maintained by the Pradeshiya Sabha and cause to be prepared plans of all such roads and paths; and to cause notices to be published in the prescribed manner setting out a list of such roads and paths.	A programme for mapping roads are being implemented and necessary steps will be taken accordingly.	Action should be taken in accordance with the Sections of the Act.
(b) Section 02 of the Declaration of Assets and Liabilities Act, No.01 of 1975.	Nineteen members had not submitted the declaration of assets and liabilities annually from the year 2019 up to the year under review.	Although they were notified to submit the declaration of assets and liabilities, such declarations have not been submitted.	Declaration of assets and liabilities should be furnished annually.
(c) Rule 218 of the Pradeshiya Sabha (Financial and Administration) Rule of 1988.	No action had been taken to examine all lands and buildings by a Board of Inquiry for the year under review.	Not replied.	Assets should be annually examined and reports should be furnished.
(d) Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government.	Although action should be taken to assess the lease rent once every 05 years and increase income of the Sabha by entering	Despite being informed the Department of Valuation,	Agreements should be entered into according to

into agreements, without being assessment reports the new conducting such assessment on have not been valuation 51 trade stalls of the Sabha, lease provided. reports. rents were being recovered on the assessed value of the year 2015.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 1,827,035 for the year ended on 31 December of the year under review as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 1,249,369.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Chairman, the particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	Estimated Revenue	2022			Total Arrears as at 31 December	2021			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Rs.		Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	1,842,000	1,397,323	909,532	487,791	2,599,700	2,260,776	1,238,400	1,022,376	
(ii) Rents	6,002,000	3,690,659	5,470,627	-	6,062,000	4,591,550	4,720,440	-	
(iii) License Fees	902,500	902,500	820,500	82,000	850,600	850,600	674,550	176,050	
(iv) Other Revenue	2,160,000	3,955,814	4,881,854	-	6,986,100	4,441,648	7,939,479	-	
Total	10,906,500	9,946,296	12,082,513	569,791	16,498,400	12,144,574	14,572,869	1,198,426	

2.2.2 Performance in the Collection of Revenue

The observations on the performance of collecting revenue of the Sabha are as follows

Audit Observation	Comment of the Sabha	Recommendation
Outstanding lease rent of Rs. 1,300,517 as at 31 December of the year under review in respect of 03 weekly fairs leased relating to the year 2021 had not been recovered even by 02 February 2023.	Action will be taken to offset from the security deposits.	Outstanding revenue should be recovered expeditiously.

3. Operating Review

3.1 Execution of duties entrusted by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being 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.

Activities Deviating from the Objectives

Audit Observation	Comment of the Sabha	Recommendation
(a) In terms of Section 03 of the Pradeshiya Sabha Act, No.15 of 1987, among the functions of the Pradeshiya Sabha, it shall ensure the protection and promotion of the comfort, convenience and welfare of the people and all amenities within the Sabha area. However, only books valued at Rs. 700 had been purchased, despite the allocation of Rs.200,000 from the annual budget for the purchase of books to the Public Library during the year under review. It was even less than 01 per cent from the provision allocated from the budget.	It was difficult to incur expenditure due to drop of the income resulting from the adverse economic position prevailing in the country.	The welfare services of the public should be expanded.
(b) Provisions had not been made from the Sabha fund for the free Ayurvedic dispensary to purchase drugs and service for 1150 patients had been given only with the drugs worth Rs. 200,227 provided by the Ayurvedic Centre. Furthermore, although a shortage of 14 variety of drugs had been identified in the dispensary, Sabha had not taken steps to supply drugs to meet the shortage.	The Department of Ayurvedha supplies drugs annually and in case of inadequacy, drugs are purchased from the Sabha funds.	-Do-

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Advance of Rs. 481,487 paid for 13 road construction works in 2014 and 2015 had not been settled by 02 February 2023, despite lapse of 08 years.	Necessary arrangements will be made to write off upon the approval of the Governor.	Advance should be settled immediately.

3.3 Assets management

Audit Observation	Comment of the Sabha	Recommendation
(a) A lorry, a tractor and 03 motorcycles that remained reparable and taken over by the Sabha in the preceding year and the year under review from the Badulla District Secretariat, Redimaliyadda Divisional Secretariat and Nagadeepa Agrarian Services Centre had been parked in the Sabha premises without attended to repairs.	The officer in charge of the subject has been instructed to attend to necessary measures.	Action should be taken to repair and use the relevant vehicles and motorcycles.
(b) The backhoe of the Sabha had been used for 280.6 machine hours from 01 January to 28 December of the year under review and Rs. 1,562,151 had been spent for its repairs. An income of Rs. 589,180 had been earned by giving the backhoe on rent. Although it was mentioned in the vehicle maintenance record that the backhoe was used in various purposes for the welfare of the people in the area of authority of the Sabha, the Technical Officer had not prepared estimates to the effect that the backhoe was used in welfare activities.	It is necessary to use the backhoe for public affairs and instructions have been given to the Technical Officer to prepare estimates when such requests are made.	Estimates and written evidence should be maintained when using the backhoe for various activities.

3.4 Transactions not supported by adequate authority

Audit Observation	Comment of the Sabha	Recommendation
Water charges of Rs. 4,509,616 and stall rent income of Rs. 71,519 receivable as at 01 January of the year under review had been written off from accounts without formal approval.	Action will be taken to make relevant correction.	Accounts should be prepared properly.