

Rathnapura Pradeshiya - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rathnapura Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, Statement of changes in equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 Rathnapura Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows 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 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.

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 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.

- 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.
- The financial statements presented includes all the recommendations made by me in the previous year described 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 Council	Recommendation
(a) Repair expenses in the form of capital including library books totalling Rs.881,136 were not capitalized and accrued operating expenses of Rs.380,491 were also not accounted for.	Will be corrected by the financial statements in the year 2024.	Should be properly accounted for.
(b) According to the financial statements at 31 st December 2023, there was a difference of Rs.384,505,389 between the balances of 09 accounting subjects and the balances on that day according to the primary entry documents.	This is a difference that has been in place for a long time. Will be corrected in the year 2024.	The difference Should be settled.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Detailed schedules and balance confirmations of 10 account subjects totalling Rs.24,558,553 were not submitted.	Will be corrected this in the year 2024.	Information required for audit should be provided.

1.7 Non- Compliances

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

Audit Observation	Comments of the Council	Recommendation
(a) According to Financial Regulation 371 (5), 10 advances of Rs.917,010 given in the years 2005, 2014 and 2023 were not settled.	Concerned officials have been informed for settlement of advance.	Action should be taken according to the financial regulation.
(b) According to Financial Regulation 571, various deposits related to the period from 2010 to 2021 amounting to Rs.5,839,075 were not regulated.	Will be corrected this in the year 2024.	-Do-

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, in excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.5,664,917 as compared to the corresponding revenue for the preceding year in excess of the recurrent expenditure amounting to Rs.10,425,476.

2.2 Financial Control

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

According to the information presented by the Secretary, the following is the information about the estimated income, billed income, accumulated income and arrears related to the year under review and the previous year.

Income Source	<u>2023</u>				<u>2022</u>			
	Estimated Income	Billed income	Collected income	Total deficit as at 31 December -	Estimated income	Billed income	Collected income	Total deficit as at 31 December
	Rs.	Rs	Rs	Rs.	Rs	Rs.	Rs.	Rs.
Assessments and taxes	2,940,630	985,330	975,838	75,000	2,539,784	1,279,385	1,274,251	66,110
rental	2,500,000	50,452	50,452	-	760,000	52,145	52,145	-
License fees	2,240,200	1,176,830	1,176,830	-	1,672,200	1,112,750	1,112,750	-
Other income	<u>3,933,000</u>	<u>2,640,941</u>	<u>1,512,340</u>	<u>-</u>	<u>2,928,000</u>	<u>2,083,795</u>	<u>2,089,586</u>	<u>-</u>
	<u>11,613,830</u>	<u>4,853,553</u>	<u>3,715,460</u>	<u>75,000</u>	<u>7,899,984</u>	<u>4,528,075</u>	<u>4,528,732</u>	<u>66,110</u>

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the council	Recommendation
(a)	As at 30 th June 2014, Six developed areas had been identified, but by December 2023 assessments had not been collected.	A re-survey will be conducted and assessment tax will be levied in the year 2025.	Revenue should be collected immediately.
(b)	For the year 2023, 178 out of 222 registered three-wheelers had not paid the fees of Rs.178,000	During this year, survey will be conducted and identify the members.	-Do-
(c)	Arrears of Rs.608,500 were not collected for 63 advertisement boards.	The advertisement boards of the institutions that did not respond to the notices were removed.	-Do-

3. Operational Review

3.1 Failure to achieving the desired output level

Audit Observation	Comments of the Council	Recommendation
Although Rs.72,415 was spent in March 2022 for the inauguration of the “e-Public Libraries” program, the program was not implemented thereafter.	Efforts are being made to properly implement this program in the future.	The program should be implemented effectively.

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Council	Recommendation
(a) Apart from the procurement process and without entering into a contract, the Chairman had acquired a vehicle on rental basis in the year 2023 and had spent Rs.76,950 on fuel for it. However, during that time he did not participate in the affairs of the Sabha and the honourable court had also issued a warrant against him.	All the officers who were employed during that period have now transferred, so will be taken further action after inquiring about the matter.	The incident should be investigated.
(b) In 2014, a lawsuit was filed against the cancellation of the permission given for the construction of a vehicle service station in Hidellana, demanding a compensation of Rs.70 million. Although the honorable court had ordered to submit the subject file related to this construction in the year 2023, the council had informed the court that it had been misplaced.	Necessary arrangements will be made to conduct a formal investigation regarding the misplacement of the file.	A preliminary investigation should be done.

3.3 Visual disturbances

Audit Observation	Comments of the Council	Recommendation
<p>The preliminary investigation committee appointed for the purpose had reported that the subject officer prepared fraudulent documents during the settlement of fuel bills and committed a financial irregularity of Rs.2,227,400 between May 2023 and January 2024.</p> <p>This was due to lack of internal division of work. Although it is very clear that all the fuel orders with vouchers have been tampered with, it is questionable that the officials who check, recommend, approve and ensure payment of the vouchers have ignored it.</p>	<p>There is a preliminary investigation and an investigation by the Police Special Crime Investigation Unit, so will be proceed based on the investigation reports. Will be established an internal control system.</p>	<p>Disciplined action should be taken in this regard and proper internal control should be established.</p>

3.4 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
<p>In the year 2006, in a case against the construction of a road through a private land, the plaintiff was given back the clear repossession of the land and the council had to pay Rs. 479,505 in the year 2022 as compensation, court fees and lawyer fees. Even by December 2023, no action had been taken to recover the money from the parties who were negligent in the construction of the road.</p>	<p>Currently, an investigation is being conducted according to F.R.104.</p>	<p>The money should be refunded from the negligent parties.</p>

3.5 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
The Tea Development Authority had informed that although Rs.732,000 was spent to develop and plant a tea land owned by the council, the land was not properly developed and the tea plants were deserted.	This land has been a forest for many years. The existing stonework has been removed, and all defects have now been repaired and the final bill paid.	There should be adequate return for the money spent.

3.6 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
Although 08 Green Lights were installed in a stadium in Wevelketiya in the year 2021, the Rs.184,000 incurred was a useless expenditure as there were no bulbs in them. No action was taken regarding the missing bulbs. Also, Rs.82,500 had been paid for cutting a road without regard to actual machine hours.	Will be conducted a formal investigation into the misplacement of the bulbs. Also, the technical officer has reported that the bank in front of the playground was cut and the soil was moved towards the bank below and levelled.	An investigation should be done regarding these incidents.

3.7 Management of Vehicle fleet

Audit Observation	Comments of the Council	Recommendation
(a) The compactor was fitted with 06 tires with a warranty period of 35,000 km, but they were removed after running 16,830 km.	Will be inquired about this from the tire company and proceed further.	Investigations should be conducted and responsibility determined.
(b) In the year 2023, the mechanical engineer informed that the repair of the damaged compactor was not effective. Because the driver's license had expired, insurance compensation had been refused. Accordingly, the insurance premiums that had been paid up to now had also been a useless expense. This vehicle was parked outside and its key and spare keys were in the custody of the	The subject officers have been instructed to be vigilant and inform the drivers regarding the expiry of the driving license. After the service is over, all vehicles have been informed to park in the council premises and leave the keys in the council office and officers have been appointed to supervise the work.	-Do-

driver. Garbage charges were also collected by the driver himself and 02 receipt books worth Rs.213,000 were also missing along with the accident.

- (c) 08 vehicles and 04 tractor-tailors which were in undriveable condition were not disposed.. Arrangements were made to auction these vehicles but they were not auctioned. Again a committee has been appointed and the dispose is being done. Assets should not be left unused.