

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rajanganaya Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in Net Assets/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 the provisions of the National Audit Act No. 19 of 2018 and the 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 2023, 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

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 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 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Retentions related to 04 road constructions completed in the year 2021 amounting to Rs.307,244 had not been recognized as fixed assets.	That corrections will be made during the preparation of accounts for the next year.	The value of the asset should be accounted, including the retention of completed road construction.
(b) Because of the retention of Rs.34,311,502 related to roads, bridges and culverts, which had been completed and expenses guaranteed in previous years, had not been accounted as assets until released therefore, depreciation of those assets had been understated by Rs.3,431,150.	Not commented.	Depreciation values should be properly accounted.
(c) Pre-paid water charges Rs.6,400 had been offset against the receivable water charges without being declared as current liabilities, the outstanding water charges had been decreased by Rs.6,400.	That corrections will be made during the preparation of accounts for the next year.	The correct value should be accounted.

1.7 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown below.

Reference to Laws, Rules

Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
Public Administration Circular No. 02/2021(viii) dated 12 May 2023	Rs.241,251 of overtime allowances and holiday pay had been paid without confirming the correctness of the arrival and departure times as per the printed copies obtained from the fingerprint machine.	That the attendance checked and paid overtime and holiday pay for limited number of people deployed on essential duties.	Action should be followed as per circular.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess expenditure over revenue of the Sabha for the year ended 31 December 2023 amounted to Rs.8,332,419 as compared with the excess expenditure over revenue amounted to Rs.8,712,211 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the Sabha	Recommendation
In relation to 02 current accounts, as at 31 December of the year under review, the amount of Rs.7,822,866 had been remained idle and the money had not been used for short-term investment.	That this surplus money is to be deposited in fixed deposits by choosing the appropriate bank according to the prices obtained from 03 state banks.	Cash balances in the accounts should be used effectively.

2.3 Revenue Administration

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

According to the information submitted by the Secretary of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year are mentioned below.

Source of Revenue	2023				2022			
	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	1,146,600	2,136,555	2,180,555	400	1,360,500	1,534,240	973,440	44,400
(ii) Rent	15,566,838	9,636,323	9,508,176	5,413,310	11,802,082	10,058,192	9,588,502	5,285,163
(iii) License Fees	415,250	504,225	730,650	-	318,000	423,530	335,530	226,425
(iv) Other Revenue	15,465,500	7,959,557	11,277,183	4,051,778	19,163,175	7,502,844	7,130,990	7,369,404
	32,594,188	20,236,660	23,696,564	9,465,488	32,643,757	19,518,806	18,028,462	12,925,392

2.3.2 Performance in Revenue Collection

Following are the observations regarding the revenue collection performance of the sabha.

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Rates and Taxes</p> <p>According to Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987, assessment tax shall be imposed on the basis of the annual value of an immovable property or a type of immovable property located in the developed areas of the council area, but those areas had not be identified and assessed in accordance with the instructions of the Act in the year 2023.</p>	<p>That assessments taxes are to be levied after the valuation of the property.</p>	<p>Necessary actions should be taken to levy the assessment taxes.</p>
<p>(b) Rent</p> <p>(i) An amount of Rs.1,778,410 which was 58 percent of the Rs.3,083,200 due for the year under review for 60 shops had not been recovered and Rs.3,330,400 which was 69 percent of the arrears of Rs.4,780,213 as at 01 January 2023 for those shops had not been recovered</p>	<p>That arrears of shop rents are being collected and that a case has been filed in the Mediation Board regarding shop rents that are not collected.</p>	<p>Legal action should be taken to recover.</p>

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| (ii) | Vehicle rental arrears of Rs.163,250 had not been recovered by 31 December of the year under review. | That will be recovered. | Actions should be taken to recover. |
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| (c) Other Revenue | | | |
| (i) | An amount of Rs.95,725 due for billboards had not been recovered by 31 December 2023. | That will be recovered | Actions should be taken to recover. |
| (ii) | Court fines of Rs.2,709,500 and stamp duty of Rs.558,500 that should have been received from the Chief Secretary of the Provincial Council and other authorities had not been received on 31 December 2023. | That requests have been made and expected to be received soon. | -Do- |

3. Operational Review

3.1 Performance of functions assigned by the Act

The matters observed regarding the accomplishment of the functions that should be discharged by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabhas Act, such as, 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 and all amenities within such area, are mentioned below.

Audit Observation

Comments of the Sabha

Recommendation

Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to fulfill 30 main matters, but by 31 December 2023, any by-laws had not been enacted for those matters.

That the by-laws will be enacted in the near future.

Actions should be made to enact by-laws.

3.2 Identified Losses

Audit Observation

Comments of the Sabha

Recommendation

- (a) The Sabha had been incurred a loss of Rs.36,000 due to not being able to lease the shop at Sirimapura No. 04 due to non-repair before 2022.

Accepted.

Action should be repaired and leased.

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| (b) | The fingerprint machine that was purchased by Rs.57,000 on 18 February 2020 was not in service since 18 October 2023 due to non-availability of a service contracts, therefore, the Sabha had to pay Rs.53,944 and buy a new machine again. | That no service contracts have been entered, since have to be made payments for service and repairs. | Service contracts should be made in order to obtain economic benefits. |
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3.3 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) the business tax, industry tax and trade license fees to be charged for the businesses, industries and trade places in the jurisdiction, had not been confirmed to be correct due to the non-conduct of the annual property survey and the survey of telephone towers.	Accepted.	Property survey should be done annually.
(b) During the year under review, there was no action taken to identify the entities that need to obtain environmental permits in the jurisdiction and inform the owners of the relevant entities to obtain environmental permits.	-Do -	Entities to obtain environmental permits should be identified.

3.4 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
According to Article 07 of Circular No. 2017/02 issued by the Commissioner of Local Government on 31 October 2017, if a council property is leased for a period of more than 03 years, the permission of the minister in charge must be obtained for the same, but without obtaining that permission and without specifying a contract period, the Sabha had been rented the shop rooms.	Shops have not been leased for 05 years and after 03 years agreements have been renewed.	Actions should be made new agreements.

3.5 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The council-owned Chicken Meat Shop at the 5 Kannuwa Weekly Fair and the Puttalam Junction Chicken Meat Shop had been remained idle throughout the year 2023.	Accepted.	Actions should be made for leasing this property.

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| (b) | A cab which had been removed from running for 06 years and a FOTON car which had been removed from running for 03 years were parked idle without taking any actions to dispose of them. | Accepted. | Actions should be taken to dispose. |
| (c) | The garbage collection vehicle that was given to the Sabha without the need of the Sabha, had been parked in the Sabha premises without being used. | That garbage collection in the jurisdiction is limited and will be used only in cases of necessity. | Attention should be paid to generating rental income in cases of non-use. |

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation

According to the action plan, 11 activities had not been implemented for the year under review. Estimated values had not been mentioned for 06 of those works and Rs.810,000 had been estimated for the remaining 05 works.

Comments of the Sabha

Accepted.

Recommendation

Programs should be implemented during the year as planned.

4.2 Environmental Observations

Audit Observation

The Central Environment Authority had recommended on 08 November 2011 that an environmental permit should be obtained for the waste management center belonging to the Sabha, but an environmental permit had not been obtained.

Comments of the Sabha

That the Central Environment Authority has informed that the environmental permit will be issued promptly.

Recommendation

An environmental permit should be obtained.