

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Rambewa Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Equity / Net Assets, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, 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 Rambewa Pradeshiya Sabha as at 31 December 2024, 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**

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 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 skepticism 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 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 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 Council</b>                                                                                                                                  | <b>Recommendation</b>                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| (a) A stock of books worth Rs. 59,879, which had been given as prizes to the winners of the competitions held for National Reading Month, had been overstated by being listed under the Pradeshiya Sabha library book stock.                                                                                                                                                                                                                                                                 | Accepted.                                                                                                                                                       | Should be accounted for correctly.                                                                                                            |
| (b) Although the financial statements had shown an arrears of environmental license income of Rs. 18,000, according to the environmental license register, an arrears of environmental license income of Rs. 427,500 was shown in relation to approximately 95 industries, the statement of assets and liabilities for the year under review had not recognized an outstanding environmental license income of Rs. 409,500, resulting in an understatement of current assets by that amount. | According to the environmental register, the relevant licenses will be issued for the remaining industries in 2025 and efforts will be made to collect revenue. | Arrears of environmental license revenue should be identified and accurately accounted for, and steps should be taken to recover the arrears. |

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

| <b>Audit Observation</b>                                                                                                                                                 | <b>Comments of the Sabha</b> | <b>Recommendation</b>                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------------------------|
| Although the initial balance of court fines receivable was Rs. 2,411,916, the court fines register showed it as Rs. 3,029,667, resulting in a difference of Rs. 617,751. | Accepted.                    | The court fine register should be updated. |

### 1.6.3 Documentary Evidences not made available for Audit

| Audit Observation                                                                                                                                                                                              | Comments of the Sabha                                                                                                                                     | Recommendation                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| Due to the failure to submit schedules and balance confirmations in relation to 06 accounting subjects with a total value of Rs. 439,553, it was not possible to satisfactorily examine them during the audit. | Since no evidence can be found, steps will be taken to write off these balances in the future with the approval of the Minister in charge of the subject. | Corroborating written evidence must be submitted. |

## 1.7 Non- Compliances

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

|     | Reference to Laws, Rules Regulations etc.                                   | Non-compliance                                                                                                                                                                          | Comments of the Council                                                   | Recommendation                                                      |
|-----|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------|
| (a) | Section 147 of the Pradeshiya Sabha Act No. 15 of 1987                      | Fees had been collected for the activities under this section, but the Sabha had not taken steps to issue a license to the relevant institutions that included the relevant conditions. | That a license will be issued at the time of charging fees in the future. | Action should be taken in accordance with the Pradeshiya Sabha Act. |
| (b) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka 761 | The goods survey for the year ending 31 <sup>st</sup> of December 2024 had not been conducted and the report had not been submitted for audit.                                          | Accepted.                                                                 | Financial regulations must be followed.                             |

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented, excess of expenditure over Revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 3,422,311 as compared with the excess of expenditure over revenue amounted to Rs. 10,685,007 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 submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

| 2024  |                   |                   |                |                   |                                 | 2023              |                |                   |                                 |
|-------|-------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
|       | Source of Revenue | Estimated Revenue | Revenue billed | Revenue collected | Total Arrears as at 31 December | Estimated Revenue | Revenue billed | Revenue collected | Total Arrears as at 31 December |
|       |                   | Rs.               | Rs.            | Rs.               | Rs.                             | Rs.               | Rs.            | Rs.               | Rs.                             |
| (i)   | Rates and Taxes   | 2,471,502         | 1,733,351      | 1,770,841         | 1,331,236                       | 2,471,502         | 1,881,326      | 2,204,794         | 3,098,448                       |
| (ii)  | Rent              | 15,561,000        | 7,849,330      | 9,541,542         | 2,446,142                       | 15,561,000        | 8,043,815      | 8,172,475         | 5,785,490                       |
| (iii) | License fees      | 2,038,620         | 940,100        | 953,270           | 412,000                         | 2,038,620         | 1,104,910      | 755,650           | 1,455,260                       |
| (iv)  | Other Revenue     | 48,150,802        | 43,958,208     | 49,878,095        | 5,375,993                       | 8,150,802         | 7,963,248      | 7,707,012         | 2,791,324                       |
|       |                   | -----             | -----          | -----             | -----                           | -----             | -----          | -----             | -----                           |
|       |                   | 68,221,924        | 54,480,989     | 62,143,748        | 9,565,371                       | 28,221,924        | 18,993,299     | 18,839,931        | 13,130,522                      |
|       |                   | =====             | =====          | =====             | =====                           | =====             | =====          | =====             | =====                           |

## 2.2.2 Performance in Revenue Collection

| Audit Observation                                                                                                                                                                     | Comments of the Sabha                                                                                                            | Recommendation                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>(a) Rates and Taxes</b>                                                                                                                                                            |                                                                                                                                  |                                                                                             |
| (i) At the end of the year under review, rates of Rs. 597,056 relating to 134 units out of 570 rates tax units were arrears and an rates register had not been maintained up to date. | That action will be taken to recover the arrears in the future.                                                                  | Steps should be taken to recover the rates and arrears of rates taxes for the current year. |
| (ii) The Sabha had not collected garbage fee revenue of Rs. 283,200 in respect of 118 institutions and the sabha had not maintained a register for garbage fees.                      | By the Revenue Inspector will collect garbage tax in year of 2025 and a register for garbage fees is currently being maintained. | The arrears of revenue should be collected and the registers updated.                       |
| <b>(b) License Fees</b>                                                                                                                                                               |                                                                                                                                  |                                                                                             |
| At the end of the year under review, industrial taxes of Rs. 275,300, business taxes of Rs. 425,880 and trade licenses of Rs. 234,000 remained to be collected.                       | Efforts will be made to minimize the arrears of revenue by implementing mobile programs to collect arrears of revenue.           | Action should be taken to recover the arrears of revenue.                                   |

(c) **Other Revenue**

Court fines of Rs. 2,405,243 and stamp duty of Rs. 2,687,550, which were due from the Chief Secretary of the Provincial Council and other authorities, had not been collected as at 31<sup>st</sup> of December 2024.

That has been sent for the Governor's approval to be released this money.

Action should be taken to recover the arrears of amount.

**3. Operational Review**

**3.1 Performing of Functions Enacted by the Act**

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

| <b>Audit Observation</b>                                                                                                                                                                                 | <b>Comments of the Sabha</b> | <b>Recommendation</b>                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------|
| Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 main matters, but by-laws had not been enacted for those matters as at 31 <sup>st</sup> of December 2024. | Accepted.                    | Action should be taken to enact by-laws. |

**3.2 Apparent Misappropriations**

| <b>Audit Observation</b>                                                                                                                                                                                                                                                          | <b>Comments of the Sabha</b>                                                                                                                                                       | <b>Recommendation</b>                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| The officer who served as the Shroff was interdicted for committing fraud by not crediting the daily money received to the sabha fund in the months of December and October 2023, but although Rs. 367,866 was to be recovered from the sabha, that money had not been recovered. | Although the preliminary disciplinary investigation has been completed by the investigating officers of the Local Government Department, a final report has not yet been received. | The report should be obtained promptly and disciplinary action should be taken. |

**3.3 Management Inefficiencies**

| <b>Audit Observation</b>                                                                                                                                   | <b>Comments of the Sabha</b>                                                                            | <b>Recommendation</b>                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| (a) Although almost 3 years had passed since the sabha informed 95 business units in writing between year from 2010 to 2019, the sabha had not taken steps | The necessary steps will be taken this year to issue environmental license for the remaining industries | Legal action should be taken against institutions that have not obtained |

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                              |                                                                  |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
|     | to issue environmental license and collect revenue, nor had it taken legal action against those who did not comply with the rules.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | mentioned in the environmental license register.                                                                                                                                             | environmental license.                                           |
| (b) | Although 30 percent of the monthly water sales revenue was to be sent to the Pradeshiya Sabha in accordance with the agreement between the Walawahangunuwewa Water Treatment Plant and the Pradeshiya Sabha, the Pradeshiya Sabha had not taken steps to obtain that revenue and to identify the amount of the revenue. Also, since the Nabadagaswewa Water Treatment Plant had been informed by the Water Supply and Drainage Board that it was unsuitable for filtering water, the Pradeshiya Sabha had not taken appropriate action to effectively utilize the idle filtering machines and buildings. | That action will be taken to accurately identify and recover the amount due, and that steps will be taken in the future to install it at the water treatment center maintained by the sabha. | A more effective course of action should be adopted.             |
| (c) | Legal action had not been taken to recover Rs. 2,100,425 in vehicle rental arrears carried on from year of 2019.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Legal action will be taken regarding the arrears of vehicle rental income.                                                                                                                   | Legal action should be taken to recover arrears of vehicle rent. |

### 3.4 Assets Management

#### Audit Observation

Payments of Rs. 2,917,338 had been made for the work completed as at 25<sup>th</sup> of December 2017, in relation to the renovation of the old library building belonging to the Pradeshiya Sabha, but since the building had not been completed in a usable condition, it remained idle and no steps had been taken to recover the loss incurred by the sabha from the parties responsible for it.

#### Comments of the Sabha

A project proposal has been submitted to the main ministry and further work will be carried out accordingly and committee will be appointed to conduct an investigation and a decision will be made regarding the loss in the future.

#### Recommendation

Appropriate action should be taken to make it usable, and a formal investigation should be conducted to recover the loss.

#### **4. Accountability and Good Governance**

##### **4.1. Annual Action Plan**

###### **Audit Observation**

The work of 03 projects totaling Rs. 1,600,000 included in the action plan for the year under review had not been completed.

###### **Comments of the Sabha**

Those 03 projects will be presented to the Honorable General Assembly this year and further action will be taken based on its recommendations.

###### **Recommendation**

The action plan should be prepared in accordance with the annual budget and the plan should be revised if there are tasks that cannot be accomplished.