Ridimaliyadda Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ridimaliyadda Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of changes in Net Assets, Cash Flow Statement 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, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Ridimaliyadda Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 pradeshiya sabha 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 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.

(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 of this report 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

	Audit Observation	Comments of the Council	Recommendation
(a)	The credit balance of the suspense account as at 31st December of the year under review was Rs. 2,428,666.	The officer in charge of the subject has been instructed to investigate and resolve the matter.	The suspense account must be settled.
(b)	Although the value of the completed works of 02 buildings completed under the Local Development Support Project (LDSP) funds during the year under review was Rs. 35,374,976, it was stated as Rs. 12,622,441 in the Statement of Financial Position.	The officer in charge of the subject has been instructed to take steps to resolve the matter.	Assets must be accounted for correctly.
(C)	As at 31st December of the year under review, outstanding capital aid amounting to Rs. 2,811,156, which were more than 10 years old and were not certain to be received, were included as current assets in the statement of financial position.	That work is being done to cut it off, subject to formal approvals.	Accounts must be settled.
(d)	The capital expenditure of Rs. 93,333, which was personally incurred by two shop lessees to procure electricity for their new shops during the year under review, had not been taken to the building account.	The officer in charge of the subject has been instructed to make corrections.	Accounts Correct Should be done.

1.6.2 Unreconciled control accounts or reports

Audit Observation	Comments of the Council	Recommendation
According to the financial statements, other income of Rs. 14,854,209 was accounted for in the year under review, while according to the income report submitted to the audit by the Secretary, it was Rs. 13,032,991.	The officer in charge of the subject has been instructed to make corrections.	Documents related to financial statements must be prepared accurately.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
During the year under review, the Council could not satisfactorily examine the value of two buildings, totaling Rs. 13,654,396, due to the failure to submit evidence including industry files, bills and payment vouchers.	The subject officer has been instructed to correct.	Quantitative evidence regarding the balances shown in the financial statements must be presented to the audit.

1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

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Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 134(3)	Internal audit reports had not been submitted to the Auditor General for over 05 years.	The officers in charge of the subject have been instructed to prepare an internal audit plan and carry out the necessary work.	Reports must be submitted to the Auditor General in accordance with financial regulations.

2. Financial review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 9,334,101 as compared with the excess of revenue over recurrent expenditure amounted to Rs**.** 1,469,115 in the preceding year.

2.2 Revenue Administration

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

By the Secretary of the Council the information on estimated revenues, billed revenues, collected revenues and arrears of revenues submitted for the year under review and the previous year is shown below.

		2024				**2023**			
	Source of income	**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	1,982,000	2,275,593	1,523,934	751,659	1,805,700	2,468,828	1,336,150	1,132,678
(ii)	Rent	6,162,000	5,155,511	4,312,828	842,683	5,878,200	5,186,649	4,956,985	229,664
(iii)	License fees	1,050,700	842,850	842,850	-	1,000,500	1,000,500	835,000	165,500
(iv)	Other Revenue	4,500,000	13,032,991	1,007,958	12,025,032	4,000,000	8,474,221	1,169,319	7,304,902
	Total	**13,694,700**	**21,306,945**	**7,687,570**	**13,619,374**	**12,684,400**	**17,130,198**	**8,297,454**	**8,832,744**

2.2.2 Performance in Revenue Collection

The following are observations regarding the revenue collection performance of the council.

Audit Observation	**Comments of the Council**	**Recommendation**
Water charges		
As at 01st January of the year under review , The outstanding water charges Rs. 1,611,000, of which only Rs. 769,366 were paid.A debt had been collected.	Water consumers have been informed about the payment of outstanding water charges and mobile programs have been organized to recover them. Water connections of non-paying water consumers have been informed to disconnect them.	The outstanding water charges should be recovered.

2.2.3 Court fines and stamp duty

Audit Observation	Comments of the Council	Recommendation
Court fines of Rs. 12,325,897 and stamp duty of Rs. 4,197,196 which were due from the Chief Secretary of the Uva Provincial Council and other authorities as on 31st December of the year under review had not been collected.	The schedules have been submitted by the Department of Local Government.	Arrears of court fines and stamp duties should be collected.

3. Operational review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Only the lessees had signed agreements regarding the 10 new shops in the Gemunupura area, The Council had not entered into valid shop rental agreements and therefore had not billed shop rent for the period from March 2023 to July 2024. The Council had not taken steps to promptly complete the construction work of the shops and collect rent from the agreement period, resulting in a loss of shop rental income of Rs. 1,700,255.	The Electricity Board has submitted an estimate of Rs. 19.8 million to obtain electricity connections for the shops. Since the council cannot afford this expense, the Ministry of Lines and the Uva Provincial Council have been informed to obtain the electricity connection.	Need to get an electricity connection and rent the shop.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
In the year 2023, the council had not taken steps to obtain the economic benefit of the security deposit amount due to the fact that the shop deposit amount of Rs. 1,200,180 had been deposited idle in a state bank current account in the Rideemaliyadda area for more than a year.	That efforts will be made to use it effectively in the future.	The deposit of shop premises should be invested in a way that can generate economic benefits.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
Building and development works worth Rs. 56,358,775 had been carried out on lands occupied by the Council without formal land acquisition, using financial provisions received from various projects such as Council funds and the Local Development Support Project.	The Divisional Secretary has been informed by the Local Government Commissioner to take over the lands enjoyed by the council.	The legal ownership of the lands enjoyed by the council should be taken over.

4. Accountability and Good Governance

Budgetary Control

Audit Observation	Comments of the Council	Recommendation
Estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review**,** When compared with the actual income and expenditure of the year, there were variations ranging from 20 percent to 250 percent in 04 income items and from 27 percent to 57 percent in 02 expenditure items. Accordingly, the budget document had not been used as an effective control instrument.	Variances have occurred due to increases and decreases in estimated income and expenses.	Variability in income and expenditure should be minimized.