

Rajgama Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the Financial Statements of the Rajgama Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, Statement of Financial Operations, Statement of changes in 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 the 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 sub section 10 (1) of the 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 accompanying financial statements give a true and fair view of the financial position of the Rajgama Pradeshiya Sabha as at 31 December 2024, 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 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 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 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) The values of 03 not assessed tractors, 02 trailers and 03 tractor-trailers valued at Rs.1,600,000 belonging to the Sabha were not included in the financial statements.	Not included in the financial statements due to not having been assessed.	Fixed assets should be correctly identified, assessed and presented in the financial statements.
(b) As on 31 December of the year under review, the stock value of Rs.166,995 had been given up from the financial statements.	Sanitation materials are included under supplies and equipment head of Expenditure and toners are physically unavailable.	The correct value of stock should be shown in the financial statements and investigations should be carried out on non-physical items.
(c) In the year 2022, an amount of Rs. 862,554 which was incurred for building development was not capitalized.	Will be corrected by the final account 2025.	The value of new construction should be capitalized.

(d) The fuel stock value of Rs.2,896,455 as on the opening date of the year under review had been written off in the accounts of the year without formal authority.	It was consumed in 2023, and due to an oversight, the fuel stock account was not credited.	An investigation should be conducted to revealing whether it is a fraud and necessary adjustments should be made to the financial statements.
(e) As of the end date of the year under review, the outstanding shop rental income was under-accounted for by Rs. 90,000 while, business taxes and license fees totaling Rs. 386,600 were given up from the financial statements.	Will be corrected by the final account 2025.	Income should be accounted for correctly.
(f) The assets and capital assistance balance was increased by debiting the local credit and development fund as capital assistance debtors for Rs.3.08 million requested by the council to be received from the local credit and development fund.	Will be corrected by the final account 2025.	Just because the loan is applied for should not be recorded as debtors and should be accounted for correctly.
(g) Direct remittances amounting to Rs. 305,803 received in the bank account of the pradeshiya sabha since more than a year were not recognized and settled in the accounts.	The information will be investigated and resolved.	Direct remittances should be accurately identified and accounts should be settled by identifying who deposited them and for what purpose.
(h) During the year under review, the council had written off assets of Rs.10,577,378 and liabilities of Rs.1,070,174 from the accounts without specific identify.	That the removal of fictitious assets and liabilities from the financial statements was done in accordance with the instructions of the Secretary to the Governor and the Finance Committee.	Written off should not be made without specific identification and action should be taken against the officers who did so.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
(a) A difference of Rs. 1,536,791 was observed between the balances relating to 05 accounting subjects shown in the financial statements and the balances shown in the relevant schedules as at 31st December of the year under review.	Will be corrected in the future.	The reasons for the differences should be identified and corrected.
(b) While the total of non-current assets should be equal to the sum of the account of contribution from income to capital and the account of contribution by way of capital assistance, there was a difference of Rs.3.4 million during the year under review.	Will be corrected by the final account 2025.	The reasons for the respective changes should be identified and corrections should be made.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of schedules and time analyses, it was not possible to satisfactorily check 05 accounting subjects totaling Rs.22.19 million.	Schedules will be presented in the future.	Time analysis and schedules should be presented.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, the income exceeding the recurring expenditure of the Sabha for the year ending 31 December 2024 was Rs. 6.89 million, and correspondingly, the income exceeding the recurring expenditure of the previous year was Rs. 4.17 million.

2.2 Revenue Administration

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, collected income and arrears income related to the year under review and the previous year.

Source of Revenue	2024				2023			
	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.
Rates and Taxes	1,680,000	1,627,203	1,381,782	8,647,597	9,260,000	1,751,775	1,549,707	17,253,199
Rent	3,105,600	105,600	206,250	480,419	2,875,000	2,712,694	2,788,239	581,069
License Fees	1,200,500	622,347	622,347	81,622	1,600,500	1,816,541	1,816,541	81,622
Other revenue	62,903,000	14,869,710	14,869,710	-	37,538,500	5,959,996	5,959,996	-
	68,889,100	17,224,860	17,080,089	9,209,638	51,274,000	12,241,006	12,114,483	17,915,890

2.2.2 Performance in Revenue Collection

The following are observations regarding the performance in revenue collection of the Sabha.

Audit Observation	Comments of the Council	Recommendation
(a) Assessment and Tax The outstanding assessment and tax balance at the beginning of the year under review was Rs.17.25 million, while the billed revenue was Rs.1.62 million with a total chargeable income of Rs.18.88 million. The revenue collected is Rs.1.38 million, the percentage of revenue collection was 07 percent, and the deficit at the end of the year under review was Rs.8.65 million.		
(i)	The Revenue Inspector has been empowered to collect revenue in accordance with Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, and steps will be taken in the future to recover arrears of assessments.	A plan to recover arrears of revenue should be formulated promptly and arrangements should be taken to recover arrears of revenue.
(ii) The Sabha had lost revenue that could have been earned by	The Valuation Department has	Property assessment should be carried out

levying assessment tax on 3,173 assessment units based on the assessment of the year 2011, without taking action to revise the assessment tax.

commenced the new valuation of assessed properties in the year 2025.

on a timely basis and assessment tax should be collected.

(b) Rent

Based on the assessment values made in the year 2023, due to non-payment of assessed rent for 22 shops in Rajgama public market had received less rental income of Rs.53,900.

That action will be taken to collect new assessment fees.

Rent should be charged at the new assessed value.

(c) Other Income

(i) Although a tax could be levied on telephone towers located within the Sabha area under the levy of taxes on trades and professions in accordance with Section 152(1) of the Pradeshiya Sabha Act No. 15 of 1987, no actions had been taken to levy such tax.

Action will be taken regarding charging fees from telephone towers in the future.

Arrangements should be made to collect the revenues due to the Sabha without delay.

(ii) As of 31 December 2024, court fines of Rs.10.97 million and stamp duty of Rs.216.26 million were due from the Chief Secretary of the Provincial Council and other authorities.

This money will be received in the future because the court fines and stamp duty will be received in installments.

The Chief Secretariat and the Land Registry Department should jointly formulate and implement a formal program to recover arrears of revenue.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation

The double cab vehicle used by the Pradeshiya Sabha, which cost Rs.2 million, had met with an accident on 26 October 2022, but by the audit

Comments of the Council

On the instructions of the Assistant Commissioner of Local Government, it

Recommendation

Proceedings should be made in accordance with Financial Regulation 104.

date of 04 April 2025, inspections had not been conducted in accordance with Financial Regulation 104.

has been informed that the investigation under 104 of financial regulation should be conducted and a report should be given.

3.2 Human Resource Management

Audit Observation

An outstanding loan balance of Rs.644,906 was due to the Sabha from 08 employees who were transferred, retired and suspended after serving in the Sabha.

Comments of the Council

The loan balance of one officer has been written off as bad debt in accordance with the instructions of Public Finance Circular No. 01/2024, and actions will be taken to recover the loans of the other officers.

Recommendation

Action should be taken to recover outstanding loan balances promptly.