

Rambukkana Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rambukkana Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Cash Flow Statement, Statement of changes in equity 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, 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 Rambukkana 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 financial statement based 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 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.

- (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 on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The balance of the Non-Current Assets and Contribution from Revenue to Capital Outlay Account at the end of the year under review was understated by Rs. 5,393,334 due to the fact that Rs. 688,834 spent on the preparation of the Pradeshiya Sabha store and a tractor, trailer and Bobcat machine worth a total of Rs. 4,704,500 had not been capitalized.	That will be corrected in the future.	Capital expenditures and assets must be accurately accounted for.
(b) The current assets and accumulated fund were overstated by the amount of Rs. 5,368,478 in stamp duty received in cash in 2020 and 2021 in relation to the year 2019, as it was still included in the outstanding stamp duty balance at the end of the year under review.	That will be corrected in the future.	Income must be accounted for correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
(a) There was a difference of Rs. 2,753,876 between the non-current asset balance at the end of the year under review as per the financial statements and the non-current asset balance as per the commodity survey report.	Action will be taken in the future.	The reasons for the difference must be identified and corrected.

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| (b) | There was a difference of Rs. 6,849,498 between the balance as per the financial statements and the balance as per the schedules at the end of the year under review in respect of 02 account balances. | Action will be taken in the future. | The reasons for the difference must be identified and corrected. |
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1.7 Non- Compliances

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Rule 218 of the Pradeshiya Sabha (Finance and Administration) Rules, 1988	All lands and buildings owned by the Pradeshiya Sabha had not been inspected by an inspection board once every year.	A board has been appointed to inspect the property. It will be corrected in the future.	The Pradeshiya Sabha (Finance and Administration) rules should be followed.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (2)	Deposits of Rs. 15,737,883, which were over 02 years old, had not been settled. Within that balance, there was also a balance of Rs. 12,176,613, which was over 05 years old.	That steps will be taken to include the remaining income for more than 5 years.	Financial regulations must be followed.
(c)	Paragraphs 2(a) and (b) of Asset Management Circular No. 05/2020 dated 02 nd October 2020	Action had not been taken to dispose or repair , dispose of 04 vehicles that were in a state of disrepair and 05 vehicles that were in a state of repair, respectively.	It is expected that the new sabha will be inaugurated and renovated in the future, considering the need and financial constraints.	Action should be taken in accordance with the circular instructions.

2. Financial Review

2.1 Financial Result

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. 101,564,412 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 64,947,431 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.

Source of income	Estimated Revenue	2024			Total Arrears as at 31 December	Estimated Revenue	2023		
		Revenue billed	Revenue collected				Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	13,657,515	12,016,795	14,334,317	4,197,906	13,209,069	12,629,922	11,971,803	5,670,745	
Rent	18,073,153	15,877,504	14,768,851	5,573,480	18,842,914	15,301,888	13,752,511	4,432,293	
License fees	2,850,100	5,507,864	5,610,444	363,371	3,975,500	4,400,625	4,722,307	361,371	
Other Revenue	<u>49,589,839</u>	<u>46,878,139</u>	<u>12,734,758</u>	<u>320</u>	<u>75,423,820</u>	<u>63,945,754</u>	<u>7,388,340</u>	<u>320</u>	
	<u>84,170,607</u>	<u>80,280,302</u>	<u>47,448,370</u>	<u>10,135,077</u>	<u>111,451,303</u>	<u>96,278,189</u>	<u>37,834,961</u>	<u>10,464,729</u>	

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
(a)	Of the outstanding assessment tax balance due at the end of the year under review, Rs. 2,192,548 had not been recovered by May 2025, and within that balance, there was a balance of Rs. 1,063,177 that was older than 05 years.	It is planned to implement mobile services before the end of each quarter.	Action should be taken to collect arrears of revenue.
(b)	Of the acreage tax balance that was due at the end of the year under review, Rs. 132,403 had not been collected by May 2025, and within that balance, there was also a balance of Rs. 118,602 that was more than 5 years old.	Plans have been made to conduct a door-to-door program and mobile service programs for office officials.	Steps should be taken to settle outstanding acreage taxes.
(c)	Due to construction defects in the new first shopping complex and second shopping complexes owned by the Pradeshiya Sabha, it was difficult to start business and the lessees of the shops had defaulted in paying the shop rent. As a result, at the end of the year under review, arrears of shop rent of Rs. 3,371,450 were due, and within	Efforts are being made to find solutions to problematic situations and obtain solutions through relief, write-offs, etc. for outstanding amounts.	Work should be done to resolve problems and collect revenue.

that balance, there was a balance of Rs. 915,550 that had been due for more than 05 years.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The value of 02 cemeteries, 09 plots of land and 03 buildings owned by the Pradeshiya Sabha had not been assessed and accounted for.	That the relevant assets are valued and accounted for.	Must be assessed and accounted for.
(b) As per the financial statements at the end of the year under review, out of the outstanding balance of Rs. 5,553,267, there was an unidentifiable balance of Rs. 2,433,915 which was over 05 years old. No steps had been taken during the year under review to identify and settle that balance.	Previous years will also be checked and corrected in the future.	The creditor balance should be identified and resolved.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The computer units that had been started at the Rambukkana Public Library and the Imbulgasdeniya Public Library had been closed since 30 th of April 2023 and 04 th of September 2022 respectively. As a result, the service provided by those centers to the children in the area had been lost and the place and the assets within it remained idle.	Applications are being invited for computer training courses and a computer unit will be set up in the future.	Assets should be utilized effectively and the relevant service should be provided in a formal manner.
(b) Due to the storage of waste materials and items that were recommended to be removed from the survey of the materials and items found in the old community hall during the demolition, the auditorium could not be rented out after 21 st of February 2024. As a result, the sabha was losing income that it was entitled to.	Part of the hall has been arranged in a usable manner.	Assets must be utilized effectively.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The sabha's motor grader has been idle since March 2023.	There have been no requests to rent the machine.	Assets must be utilized effectively.
(b)	The ownership of 19 plots of land owned by the Pradeshiya Sabha had not been acquired, and steps had not been taken to acquire the ownership of 15 cemeteries.	That will work to secure ownership in the future.	Action should be taken to take over assets.

3.4 Delays in Project Activities or Capital work

Audit Observation	Comments of the Council	Recommendation
Although Rs. 1,458,684 was spent in 2024 to construct the fence of the playground at the Rambukkana weekly marketgrounds, by May 2025 the playground equipment had not been installed and made ready for use.	The necessary work will be done to complete the relevant installations expeditiously in the future.	The necessary equipment must be installed and ready for use.