

Ruwanwella Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ruwanwella 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, Statement of changes in equity, 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, 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 Ruwanwella 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 Non-Current Assets and Contribution from Revenue to Capital Outlay Account was understated by Rs. 9,807,226 due to the fact that the value of 08 lands and buildings and 12 items of vehicles and machinery owned by the council had not been capitalized.	That step will be taken to correct this when preparing the final accounts for the year 2025.	Asset value must be accurately accounted.
(b)	Although 04 cases against the Council and 05 cases filed by the Council were pending at the end of the year under review, this information had not been disclosed in the notes to the financial statements.	That steps will be taken to include information related to cases when preparing the final accounts for the year 2025.	Contingencies should be disclosed in the notes to the financial statements.
(c)	Although the statement of changes in equity in the financial statements shows the acquisition of assets for the period as Rs. 28,526,212, as per Note 06 relating to property, plant and equipment, the additions for the year 2024 were Rs. 17,438,839, which is a Unreconciliation of Rs. 11,087,373.	That step will be taken to correct this when preparing the final accounts for the year 2025.	The reasons for the difference must be identified and corrected.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There were Unreconciliation of Rs. 14,782,163 between the balances as per the financial statements and the supporting documents at the end of the year under review in relation to 04 accounting subjects.	That the difference will be found and corrected.	The difference must be identified and corrected.

1.7 Non- Compliances

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

	Reference to Non-compliance Laws, Rules Regulations etc.	Comments of the Council	Recommendation	
(a)	Section 107 of the Pradeshiya Sabha Act No. 15 of 1987	Action had not been taken regarding 31 complaints received between 2020 and 2024 regarding dangerous trees.	The subject officer was instructed to deal with the complaints received regarding the removal of dangerous trees and report them to the Secretary.	Action should be taken in accordance with Section 107 of the Pradeshiya Sabha Act.
(b)	In the Democratic Socialist Republic of Sri Lanka Financial regulation 571	292 deposit balances worth Rs. 7,017,351, which were over 02 years old, had not been settled.	That step will be taken to settle deposits that have been outstanding for more than 2 years.	Financial regulations must be followed.

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 Rs1,482,015 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 2,108,248 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 revenue	2024				2023			
	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.
Rates and Taxes	6,922,360	5,125,528	5,239,362	1,682,998	8,377,360	5,125,042	5,198,885	3,178,475
Rent	23,615,000	22,640,986	23,038,744	576,256	30,164,250	21,076,395	21,541,467	8,622,783
License fees	975,248	749,187	749,187	226,061	775,050	-	809,925	-
Other Revenue	<u>14,164,620</u>	<u>833,052</u>	<u>14,377,158</u>	<u>-</u>	<u>12,873,000</u>	<u>1,171,700</u>	<u>15,157,038</u>	<u>-</u>
Total	<u>45,677,228</u>	<u>29,348,753</u>	<u>43,404,451</u>	<u>2,485,315</u>	<u>52,189,660</u>	<u>27,373,137</u>	<u>42,707,315</u>	<u>11,801,258</u>

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

	Audit Observation	Comments of the Council	Recommendation
(a)	The outstanding assessment tax balance at the end of the year under review was Rs. 1,545,101, and within that balance, there was a balance of Rs. 1,014,247 that was over 05 years.	The property has been prohibited on three occasions in January and March 2025 and targets have been set for the recovery of balances over 5 years.	Action should be taken to collect the arrears of revenue.
(b)	The outstanding acreage tax balance at the end of the year under review was Rs. 110,416, including a balance of Rs. 94,083 over 05 years. However, no action had been taken to settle that balance during the year under review.	That acreage tax verification is underway and that steps are being taken to settle the balance.	Steps should be taken to recover arrears of acreage taxes.
(c)	Rs. 94,240 in public market shop rents which have been outstanding for more than 05 years and Rs. 6,667,020 in public market shop fines which have been due for more than 03 years had not been collected during the year under review.	That a departmental investigation is being conducted regarding the shop related to the arrears balance and that the Governor's approval has been submitted to write off the arrears of fines and rent.	Action should be taken to recover the arrears of revenue.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The shop owners in the Anguruwella area had stopped paying the rent in 2019, stating that the ownership of 10 shops was not in the hands of the Pradeshiya Sabha. At that time, the council was owed Rs. 1,392,410 along with arrears of rent and fines from those lessees. The council had also stopped billing for those shops since October 2019 without taking steps to resolve the issue of ownership of those shops.	For write off the Arrears of fines rent has been submitted for the Governor's approval.	The ownership issue should be resolved and rent should be collected.

(b)	Rs. 626,848 received on 07 occasions from 2019 to 2022 for various purposes and Rs. 431,059 of 1 percent tax received for land subdivision had been retained in the general deposit account.	That work is being done to generate revenue.	The money received must be used for the intended purpose.
(c)	The values of the Green Park Multipurpose Building, Sewage Treatment System, building opposite weekly market owned by the council and 8 lands measuring 07 acres 02 roods 16.5 perches and 5 lands whose size was not specified had not been assessed and accounted for.	The property will be assessed and taken into account when preparing the final accounts for the year 2025.	The value of the property must be assessed and accounted.

3.2 Idle Assets

	Audit Observation	Comments of the Council	Recommendation
(a)	The Green Park Multipurpose Building, which was handed over to the Pradeshiya Sabha by the Urban Development Authority in September 2019, remained unused at the end of the year under review.	Imbulana Ayurveda is to be established on the ground floor of the building, while the upper floor is being rented out as a lecture hall.	The assets of the council should be utilized effectively.
(b)	The two-storey building with the laboratory belonging to the sewage treatment system, constructed under the Water Supply and Sanitation Improvement Project (WASSIP) which was handed over to the Pradeshiya Sabha by the Ministry of Water Supply on 04 January 2022, remained unused at the end of the year under review.	That this building will be used to fill staff vacancies for some purpose in the future.	The assets of the council should be utilized effectively.
(c)	The compost huller machine, which had been installed in the solid waste unit in 2015, had been unused since that day, causing its motor to malfunction and the nets and belts to deteriorate beyond use.	It took many years to obtain electricity to operate the machine, and the machine is now in disrepair and is scheduled to be repaired in accordance with the recommendations of the Goods Survey.	The assets of the council should be utilized effectively.

3.3 Management of Vehicle fleet

Audit Observation	Comments of the Council	Recommendation
(a) Arrangements had not been made to repair 03 tractors that had been idle since 2017 and 2022 by the end of the year under review.	That work are being in accordance with the goods survey recommendations.	Action should be taken to repair or dispose of it.
(b) The compactor trailer received from the Sabaragamuwa Provincial Council in 2015 was still unused by the end of the year under review.	The Department of Local Government has submitted letters requesting a solution to this issue.	The assets of the council should be utilized effectively.