

Rathnapura Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rathnapura Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of Finance Operation, 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 Rathnapura Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flow 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 on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Value Added Tax of Rs. 180,300 paid on the purchase of machinery and equipment had not been capitalized.	That it will be corrected when preparing the accounts for the year 2025.	Value-added tax must be accounted for correctly.
(b)	Computer equipment worth Rs. 61,550 purchased during the year under review had not been capitalized.	That it will be corrected when preparing the accounts for the year 2025.	The value of computer equipment must be accurately accounted for.
(c)	Fixed deposit interest income for the year was over-accounted at Rs. 82,344.	That it will be corrected when preparing the accounts for the year 2025.	Income must be accounted for correctly.
(d)	Fixed deposit interest income of Rs. 1,812,604, which should have been shown under investment activities, and income from fixed asset auction of Rs. 72,885, which should have been shown under operating activities, had been shown.	That it will be corrected when preparing the accounts for the year 2025.	Income must be accounted for correctly.

1.6.2 Unreconciled Control

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 4,938,289 between the balances as per the financial statements and the balances as per the supporting documents at the end of the year under review in relation to 06 accounting subjects.	That work will be done to correct it in 2025.	The reasons for the difference must be identified and resolved.

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.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 371(5)	Three advances of Rs.240,000 given in the years 2014, 2022 and 2023 had not been settled up to the end of the year under review.	It has been informed that these advances received by two former chairmen have been paid.	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 Rs. 31,608,393 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 5,664,917 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 following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

Source of income	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	1,903,550	1,384,500	1,407,902	47,043	2,940,630	985,330	975,838	75,000
Rent	1,000,000	464,760	464,760	-	2,500,000	50,452	50,452	-
License fees	1,385,000	1,397,485	1,397,485	-	2,240,200	1,176,830	1,176,830	-
Other Revenue	<u>3,497,000</u>	<u>3,818,848</u>	<u>4,076,930</u>	<u>-</u>	<u>3,933,000</u>	<u>2,640,941</u>	<u>1,512,340</u>	<u>-</u>
	<u>7,785,550</u>	<u>7,065,593</u>	<u>7,347,077</u>	<u>47,043</u>	<u>11,613,830</u>	<u>4,853,553</u>	<u>3,715,460</u>	<u>75,000</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) Although more than 5 years had passed since the process of collecting assessment taxes from developed rural	That the property will be assessed and assessed taxes will be collected.	The work related to the collection of assessment taxes

areas began, the council had failed to assess the properties and collect the assessments by April 2025.

should be made efficient.

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| (b) | Although the council had 13 approved three-wheeler parking lots, membership fees of Rs. 43,000 had been collected from only 43 three-wheelers belonging to 04 three-wheeler parking lots. The council had not taken steps to identify the number of three-wheelers in the remaining 09 parking lots and collect the fees. | It is not possible to be certain about their association membership as many three-wheeler owners do not attend the relevant locations and perform their services in person, and the number of three-wheeler association members increases and decreases every year. | Action should be taken to collect the revenue due to the council. |
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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.

Failure to reach expected outcome

Audit Observation

Although Rs. 72,415 was spent on the inauguration ceremony of the “E-Public Library” program on 08 March 2022, the program had not been implemented as planned thereafter.

Comments of the Council

No answers were given.

Recommendation

The program should continue as planned.

3.2 Management Inefficiencies

Audit Observation

- (a) In accordance with Section 04 of the By-Laws on the Regulation and Control of the Public Library, the Advisory Committee to be appointed annually for the supervision and general administration of the Public Library had not been appointed by April 2025.

Comments of the Council

No answers were given.

Recommendation

Action should be taken in accordance with the bylaws.

- (b) Rs. 1,286,205 had been spent to remove the old tea plantation and establish a new tea plantation on about an acre of land on which the Gallella Sub-Office is

At present, all activities are being carried out under the supervision of the officer in charge of the Gallella Sub-

The project must be implemented effectively.

located. However, due to the fact that the necessary expert advice had not been obtained before the project was started, the land had not been prepared and the plants had not been planted, and as a result, tea plants worth Rs. **124,000** had died by 31st July of **2024**.

Office, after consulting with the Small Tea Estates Authority.

(c) Rs. **2,950,000** had been deposited in **2016** for the damage of Pradeshiya Sabha roads through the Greater Ratnapura Water Supply Project. Although requests were made in **2022** to complete this project and resurface the roads and release the deposit, as of April **2025**, the relevant roads had not been inspected and the deposit had not been released.

Action will be taken to release the deposits of the Greater Ratnapura Water Supply Project.

The relevant channels should be examined and steps should be taken to release the deposit.

(d) In the financial statements, a debit balance of Rs. 25,000 and 06 credit balances of Rs. 400,278 carried forward from the year before 1998 had not been settled even at the end of the year under review.

That work will be done to resolve the issue within the year 2025.

Action should be taken to identify and settle the relevant balances.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Council approval had been given for 09 building plans that did not receive recommendations from the National Building Research Institute.	That the land suitability certificate for the plan has been obtained and approval has been given for the building plans until 2023, and that steps will be taken to obtain approval from the National Building Research Organization for the building plans in the future.	Approval for building plans should be given after obtaining recommendations from the National Building Research Institute.
(b) Although the certificate of compliance had not been obtained for a land for which a development permit had been granted in 2021 by April 2025 , steps had been taken to divide the relevant land into plots and sell it.	Once developed, a certificate of compliance will be issued for the relevant land.	After the land development activities are completed, a certificate of compliance should be issued.

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| <p>(c) The National Building Research Organization had recommended that only one parcel of land in a land that had been submitted for approval for a subdivision plan for sale in pieces was suitable for residential use and the other 10 parcels were suitable for cultivation. However, contrary to this, the council had given approval to develop the entire land for residential use and the preliminary fee that should have been charged when granting the development permission had not been collected.</p> | <p>Permission has been granted only for development and steps are being taken to collect preliminary fees before auctioning the plots of land, and after the audit showed that letters have been issued to develop only 03 plots of land on this land.</p> | <p>Action should be taken in accordance with the recommendations of the National Building Research Organization and steps should also be taken to recover the preliminary fee.</p> |
| <p>(d) Cover approval had been granted without imposing the fines required under Section 14 of the Housing and Urban Development Ordinance for 10 building plans that had been submitted to the Planning Committee for regularization and obtaining cover approval after carrying out unauthorized construction.</p> | <p>It is stated that the primary objective of approving the building plan is to ensure that the individual complies with the system and that a grace period of 3 years is contemplated for regulating unauthorized constructions, as per the by-laws submitted for approval.</p> | <p>Steps should be taken to recover the fees charged in accordance with the Housing and Urban Development Ordinance.</p> |

3.4 Management of Vehicle fleet

	Audit Observation	Comments of the Council	Recommendation
(a)(i)	The mechanical engineer had informed that repairing the compactor vehicle that had met with an accident in 2023 was not effective. Although the insurance compensation had been refused due to the driver's license having expired, the insurance company had later agreed to reimburse only Rs. 1,500,000 at the request of the council. Since the vehicle was not in a repairable condition, the council had requested to pay the full insurance amount of Rs. 4,300,000, but the insurance company had not agreed to it by May 2025. This vehicle was parked at an external location and its key and	The insurance company has agreed to pay Rs. 1,500,000 as insurance compensation. At present, all vehicles are parked on the premises of the company after official duties and the keys are kept in the office and the spare keys of the vehicles are kept in the safe. An investigation is being conducted under Section 104(4) regarding the misplacement of receipt books and action will be taken accordingly after receiving its	Investigations should be conducted and responsibilities should be determined regarding the accident and the loss of receipt books.

spare key were in the possession of the driver. The garbage collection fee had also been done by this driver himself and **02** receipt books with **71** receipts worth Rs. **213,000** were also missing with the accident.

recommendations.

- (ii) The garbage compactor vehicle mentioned in (a)(I) above had **06** tires with a warranty of **35,000** kilometers installed, but after driving **16,830** kilometers, they were removed and new tires were installed.

No answers were given.

Investigations should be conducted and responsibilities determined.

3.5 Apparent Misappropriation Audit Observation

Comments of the Council

Recommendation

- (a)(i) The internal control in this regard was very weak as all the functions from supplying fuel to the vehicles of the Pradeshiya Sabha to preparing the payment voucher were assigned to one officer. A preliminary investigation had revealed that the officer had prepared fraudulent documents while settling the fuel bills and committed a financial irregularity of about Rs. **2,227,400** during the period from May **2023** to January **19, 2024**. During the examination of the relevant payment vouchers, it was observed that all the fuel order copies attached to those vouchers had been distorted and altered. Despite this, the officers who checked, recommended, approved and certified the payments had ignored this.

In this regard, the Ratnapura Police have reported the facts to the court on March 01, 2024 under the number Ratnapura ©/C 87559 and the Honorable Court has issued orders to investigate and report on the progress. A charge sheet has also been issued against the officer.

Disciplinary action against the responsible officers should be expedited and the progress of legal proceedings should be monitored.

- (ii) Although the preliminary investigation into the above irregularity was completed and its report was submitted to the Secretary to the Chief Ministry on **15th** July of **2024**, the issuance of charge sheets

In this regard, the Ratnapura Police have reported the facts to the court on March 01, 2024 under the number Ratnapura ©/C 87559 and the Honorable Court has issued

Disciplinary action against the responsible officers should be expedited and the progress of legal proceedings should be monitored.

to the relevant officers was delayed until April **2025**. Also, although a complaint was registered with the Ratnapura Police regarding this incident on **15th** February of **2024**, no case had been filed in court against the relevant officers as of May **2025**, and the follow-up on the progress of those investigations was poor.

orders to investigate and report on the progress. A charge sheet has also been issued against the officer.

- (a) The duty of implementing the road mapping program using GIS technology was also assigned to the officer mentioned in (a) above from 26th October 2022 to 26th of January 2024, and a laptop computer was also provided for that purpose. This officer had deleted the relevant data for a period of about 01 year 03 months that was on the said laptop computer. As per the recommendations of the investigation conducted in this regard, the said officer was informed on 24th February , 2025 to pay Rs. 306,067 including the money spent on that work and 25 percent fee within 14 days, but the said money had not been recovered by April 2025. Also, Rs. 245,833 remained outstanding from the disaster loan she had obtained, and advances of Rs. 16,790 given on two occasions in the year **2023** had not been repaid.

A damage loss investigation has been conducted in this regard under Section 104(4) of the Penal Code and accordingly the officer has been ordered to pay an amount of Rs. 306,067.

Action should be taken in accordance with the recommendations of the damage investigation.