Ridigama Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ridigama Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, 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 Ridigama 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 on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	According to the confirmation letter from the Northwestern Chief Secretary, the court fine income due to the council in the amount of Rs.3,262,750 had been omission of the accounts, and the court fines received from January to November of the year under review had been under stated of Rs.415,900 of the revenue account.	That next year, the court fine confirmation letter of the Northwestern Chief Secretary will be brought in early and the relevant adjustments will be made.	Court fine income must be accounted for correctly.
(b)	Rs.4,873,132 which should have been accounted for as office equipment and Rs.154,235 which should have been accounted for as electrical equipment had been accounted for as machinery and equipment.	The fact that assets are not classified as office equipment when classified will be corrected in the future.	Assets must be correctly classified and accounted for correctly.
(c)	Rs.4,500,000 had been recorded as creditors during the year without entering into a contract for the installation of a solar panel system at the Pradeshiya Sabha office.	Since it was submitted for the Governor's approval on December 6, 2024, the amount allocated for that project has been brought forward as a creditor.	Expenses must be identified and accounted for correctly.
(d)	The receivable fuel deposit of Rs.300,000 was shown in the statement of financial position under investments.	Action will be taken to correct the errors when preparing the financial statements for the year 2025.	Accounts must be prepared correctly.

(e)	No provisions had been made for audit fees for the year 2024.	That no provision was made for audit fees payable when preparing the financial statements.	Accounts must be prepared correctly.

1.6.2 Unreconciled Control Account

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 675,000 in the value of the Dodamgaslanda Community Hall according to the fixed asset register and schedule.	It will be corrected in the future.	Financial statements should be prepared based on supporting documents.

1.7 Non- Compliance

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

Non-compliance with Laws, Rules, Regulations and Management Decisions are show below.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(a)	F.R. 104	No investigation had been conducted in accordance with financial regulations regarding the accident that occurred in February 2022 to the council-owned cab.	In the future, actions will be taken in accordance with financial regulations regarding vehicle accidents.	Those responsible must be determined in accordance with financial regulations.
(b)	F.R. 571(2)	Action had not been taken to settle mixed deposits worth Rs. 1,017,333, which had exceeded 02 years, in accordance with the monetary regulations.	That the necessary arrangements will be made for the deposits to be released in the future.	Actions must be taken 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. 20,940,295 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 14,011,179 in the preceding year.

2.2 Revenue Administration

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

The information regarding presented revenue, billed revenue, collected revenue and arrears of revenue presented by the Secretary for the year under review and the previous year are as follows.

	2024 Year				**2023 Year**			
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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	5,324	8,014	7,993	2,782	5,562	3,549	3,430	2,761
Rent	5,157	5,086	5,551	719	6,070	5,619	5,521	1,184
License fees	1,017	389	389	-	733	654	654	-
Other Revenue	5,185	5,185	4,684	39,197	32,000	32,000	34,304	38,696
Total	16,683	18,674	18,617	42,698	44,365	41,822	43,909	42,641

2.2.2 Performance in Revenue Collection

	Audit Observation	**Comments of the Council**	**Recommendation**
(a)	Out of 468 businesses that were required to obtain trade licenses for the year 2024, 110 businesses had not obtained trade licenses as of February 05, 2025. Although the estimated income for the year 2024 was Rs. 1,017,500, only Rs. 385,112 had actually been collected.	letters were sent to businesses that did not obtain licenses.	Legal action should be taken against businesses that do not pay license fees.
(b)	**Rent**		
(i)	Due to default in payments for 04 shops in the bus stand building belonging to the Rideegama Pradeshiya Sabha from 01 June 2021 to 01 June 2024, action had not been taken to recover a	Necessary action are being taken to recover the outstanding amount.	Action should be taken to recover the outstanding amount.

	shops rental income of Rs. 704,439 along with a 10 percent fine from the tenants.		
(ii)	The total outstanding shop rent of the Ridigama Pradeshiya Sabha as of December 31, 2024 was Rs. 321,966.	necessary action are being taken to recover the outstanding amount.	Action should be taken to recover the outstanding amount.
(iii)	Action had not been taken to recover the outstanding amount of Rs. 382,695.76 relating to the lease of assets owned by the Pradeshiya Sabha prior to the year 2024.	Legal action has been taken to recover the outstanding amount.	Action should be taken to recover the outstanding amount.
(iv)	The amount of Rs. 382,695 in arrears of rent and fines was due from before 2015.	Legal action has been taken to recover the outstanding amount.	Action should be taken to recover the outstanding amount.

3. Operational Review

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.

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31st of December of the year under review, out of the balance of Rs. 14,743,234 in 04 accounts receivable, a balance of Rs. 1,489,649 was outstanding for a period of 5 years. Management action had not been taken to recover this amount.	special programs will be implemented to collect revenue.	Action should be taken to recover the money receivable.
(b)	As at 31st of December 2018, out of the balance of Rs. 71,085,415 in 13 accounts payable, a balance of Rs. 1,720,926 was outstanding for more than 5 years. Management had not taken action to verify and settle these.	Action had been taken to settle in the future.	Action should be taken to settle the outstanding amounts.
(c)	The operation of the Saturday weekly fair had been entrusted to a multi purpose cooperative society on the basis of paying 50 percent of the income received to the council without tendering, contrary to	The Rideegama Pradeshiya Sabha has acted in accordance with the agreement entered into with the Rideegama multi	The council should expand its revenue generating channels.

	Section 119 of the Pradeshiya Sabha Act No. 15 of 1987.	purpose Cooperative Society on 5th January 1992, with the agreement to provide 30 percent of the fair revenue to the Pradeshiya Sabha.	
(d)	The Keppitigala weekly fair land has been illegally maintained by a Samurdhi Society of the Divi Neguma Department since 2015, and action had not been taken to acquire the land in accordance with Special law Case No. 8704 in this regard.	The necessary action are being taken to transfer the Keppitigala weekly fair land to the Ridigama Pradeshiya Sabha.	The fair land should be acquired by the council immediately and the weekly fair revenue should be collected.
(e)	When issuing trade licenses, trading businesses must be supervised by the Public Health Inspector, and 28 applications that did not receive the approval of the Public Health Inspector were observed during the sample inspection.	Preliminary preparations are already underway to take legal action against businesses that have not obtained trade licenses following the prescribed procedure in 2025.	Legal action should be taken.
(f)	There were 19 telephone transmission towers established within the council area, of which 10 were operated without approval.	Further action had been related to the approval of those towers is being carried out.	The failure to obtain approval should be investigated and action should be taken to recover the outstanding amounts.

3.2 Idle or underutilized Property

Audit Observation	Comments of the Council	Recommendation
The chassis number on the chassis of the Mitsubishi cab owned by the council and the chassis number on the registration certificate were different.	There is an ambiguity in verifying the number.	Action must be taken in accordance with the Motor Vehicles Act.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
Action had not been taken to transfer the ownership of 02 vehicles used by the Council, which were registered in the name of other institutions.	Requests have been made to transfer ownership of these.	Action should be taken to transfer ownership to the council.

3.4 Contract Administration

	Audit Observation	Comments of the Council	Recommendation
(a)	Although the construction of the stairs and iron handrail on the second floor of the Ridigama Bus Terminal building was scheduled to be completed by January 9, 2025, it had not been completed by March 2025, and no payment had been made other than the payment of Rs. 17,262 made contrary to the agreement. The contract period had also not been extended.	Since performance security is obtained in industries, the value of the work performed is measured and payments are made according to the value of those measurements.	If agreements have been broken, they must be acted upon.
(b)	Although the construction of the two-storied building with a car park at the Ridigama Head Office, Phase III, was scheduled to be completed on 25th December 2024, the relevant work has not been completed to date and Rs. 1,011,500 had been paid contrary to the agreement. Also, Rs. 270,241 had been paid for 10.36 cubic meters of concrete for the floor under Item 03 of the Bill of Quantities (BOQ).	The overpaid portion of the work has now been completed and the amount will be deducted when making the final payment. That will take steps to ensure that such an error does not occur again in the future.	If the council has suffered a loss, action should be taken to recover that amount.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
Out of the 27 projects planned to be implemented in the Physical Planning Division according to the action plan for the year under review, 14 projects for which provisions of Rs. 14,020,000 had been made had not been implemented.	The expenditure was transferred and other projects were completed.	Efforts should be made to complete the projects included in the annual action plan.