

Rajgama Pradeshiya Sabha - 2021

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 2021 comprising the Statement of financial position as at 31 December 2021, Statement of Financial Operations, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the Provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Principles, 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
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(i) Interest receivable related to 05 fixed deposits valued at Rs.9,555,898 had not been calculated and accounted.	Action will be taken to corrected.	Accounts should be taken correctly.
(ii) Construction valued at Rs.1,703,413 carried out during the year under review, machinery and equipment valued at Rs.14,350 purchased by the Council and computers and accessories valued at Rs.126,490 received as donations had not been capitalized.		
(iii) Creditors had not provided for expenses of Rs.224,525 which had not been paid as on 31st December of the year under review.		

1.6.2 Non reconcile control account or reports

Audit Observation	Comment of the Sabha	Recommendation
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There was a difference sum of Rs. 11,041,586 in between the balance value of 06 accounting items in the financial statements and balance value in relevant utility registers as at 31 December of the year under review.	Action will be taken to check the documents and corrected them.	Action should be taken to correct by reconciling the differences

1.6.3 Suspense Accounts

Audit Observation	Comment of the Sabha	Recommendation
Remedial action had not been taken to settle the debit balance of Rs. 288,833 in the suspense account coming from the year 2008.	Action will be taken to settle it in the future.	The balance should be investigated and settled.

1.6.4 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
The information required for the audit had not been submitted in respect of 02 accounting items amounting to Rs. 19,405,516 .	Action will be taken to Prepare and corrected the documents.	Evidence should be submitted to confirm the account balances shown in the financial statements.

2. Financial review

2.1 Financial Review

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 334,570 as compared with excess of revenue over recurrent expenditure amounted to Rs. .4,625,878 in the preceding year.

2.2 Revenue Administration

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Tax The balance arrears of assessment tax were Rs.7,456,930 as at December 31 of the year under review and the arrears of assessment tax which has not been collected for more than 05 years from 166 assessment tax units was Rs. 1,797,191.	Action will be taken to collected the income.	Arrangements should be made to recover the arrears.
(b) Shop Rent The balance of Rs.480,815 included in the arrears shop rent as at the end of the year under review has not been collected since before the year 2011, and legal action could not be taken to recover the arrears since the agreements have not been updated.	Action will be taken to correct in the future.	

(c) Business Tax

The outstanding business tax balance was Rs.1,030,114, and the action had not been taken to recover the arrears as at December 31 of the year under review.	Action will be taken to collect the arrears.	Arrangements should be made to recover the arrears.
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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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
----- A compost project was running on 02 acres had been abandoned for more than 05 years now, and the garbage shredder, garbage mixing machine and building used for that project had not been used effectively.	----- Action will be taken to correct in the future.	----- Action should be taken to utilize the assets effectively.