

Rajanganaya Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rajanganaya Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of assets and liabilities as at 31 December 2021 and the statement of comprehensive income, statement of changes in net assets/equity, cash flow statement, and other explanatory information, including a summary of significant accounting policies, 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 Sub-section 172 (1) of the Pradeshiya Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in 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 Rajanganaya Pradeshiya Sabha as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Responsibility for the Audit of 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 Sri Lanka public Sector Accounting Standards for Local Authorities 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 financial reporting process of the Pradeshiya Sabha.

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 to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed and identify and assess the risks of material misstatement of the financial statements, whether due to fraud or errors in providing a basis for the expressed audit 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.
- 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 the 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 the Pradeshiya Sabha 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 includes specific provisions for following requirements.

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha is corresponded with financial statements of the previous year.
- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (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) Although the audit fee for the year under review was Rs. 125,000, it was stated as Rs. 249,500 in the comprehensive income statement.	Accepted.	Should be accounted correctly.
(b) Rs. 490,340 of rent which has been approved to be cut off in relation to the year under review was mentioned in the comprehensive income statement as income of the year under review.		
(c) No work had been started in an industry whose contract period had also expired as at 31 December of the year under review, but Rs. 11,391,748 were accounted as industrial debtors and industrial creditors.		

1.6.2 Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 2,213,779 between the opening balances as per schedule and the opening balances as per ledger accounts of 02 account subject.	Accepted.	Arrangements should be made to correct the changes in schedule.

1.6.3 Lack of Audit Evidences for Audit

Audit Observation	Comments of the Council	Recommendation
Information was not submitted in relation to 04 account subjects totaling Rs. 2,880,392.	Unable to obtain relevant documents and evidences.	Documents should be updated and submitted confirmations.

1.7 Non-compliances

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the council	Recommendation
Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016.	The fuel consumption tests of 04 active vehicles owned by the council were not done according to the circular.	I will do fuel tests.	Action should be taken as per the circular.

2. Financial Review

2.1 Financial Result

According to the submitted financial statements, the income exceeding the recurrent expenditure of the council for the year ended 31 December 2021 was Rs. 12,036,604 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 15,691,980.

2.2 Financial Control

Audit Observation	Comments of the Council	Recommendation
More than 10 lakhs of money remained inactive in 03 government bank current accounts throughout the year under review and that money was not intended to be invested in a fixed deposit account or a saving account.	I will invest the excess money in future.	The excess money should be invested without keeping it inactive.

2.3 Revenue Administration

2.3.1 Performance of the Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) Rentals		
The outstanding rental income to be recovered was Rs. 4,815,473 as at 31 December 2021 and action was not taken to recover the arrears.	Accepted.	Action should be taken to recovered.
(b) License Fee		
Outstanding notice board revenue of Rs. 100,225 as at 31 December 2021 and Rs. 33,000 to be	.Action will be taken to recovered.	Action should be taken to recovered.

charged from 04 telecommunication companies for the 09 telecommunication towers in the Pradeshiya Sabha area had not been recovered as at 31 December 2021.

3. Operational Review

The following are the facts observed regarding the performance of the council's duties of regularizing and controlling the matters of public health, public utility services and public roads and the welfare, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) 05 Account balances of Rs. 2,326,517, which are indicated under receivables from exchange transactions in the statement of assets and liabilities coming from 18 years, have not been settled in the year under review.	As I cannot find the information about these balances, I will get approval from the Governor and proceed to cut off them.	Arrangements should be made to settle the balance within the legal provisions.
(b) No action was taken to recover the balance of Rs. 115,772 to be charged from 09 officers who were transferred out of the Pradeshiya Sabha and suspended from many years.	I will work to settle this balance in future.	Action should be taken to settle.
(c) Rs. 116,200 to be received for 142.6 machine hours for renting back loader of the council in the year under review had not been recovered.	I will recover immediately.	Action should be taken to recover.

3.2 Inactive or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
The photon tractor, water bowser, generator and cab in the council remained inactive without being used with repairs or auctioned.	It is expected to be renovated and use in the year 2022.	Action should be taken to use.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
The cab No. 53-5052 was referred for repair due to its breakdown in January 2021, but the repairs were not completed and brought to the council.	Action will be taken to repair immediately and brought to the council.	Action should be taken to bring it to the council.

3.4 Deficiencies in Contract Administration

Audit Observation	Comments of the Council	Recommendation
Although 36 projects were contracted under Rural Roads Development Programmes in the year under review, but out of that, 06 projects worth Rs. 7,000,000 had not been start by 31 December 2021.	05 of these projects have been contracted, but that have been canceled. Not contracted for the other projects.	Should be contracted only implementable projects.