

Rambukkana Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Rambukkana Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Subsection 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 the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Rambukkana Pradeshiya Sabha as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 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 (SLAS). 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 Sub-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 of the Sabha

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 identify and assess the risks of material misstatement in 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 was obtained 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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 special provisions are included in relation to the following requirements specified in the National Audit Act, No.19 of 2018.

- (a) According to the requirement mentioned in Section 6 (1) (d) III of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are consistent with the preceding year.
- (b) The financial statements presented includes the recommendations made by me in the previous year 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 Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Receivable court fines of Rs.65,500 had been omitted from the financial statements.	This error will be corrected in the preparation of accounts for the year 2023.	Accounts should be prepared correctly.
(b) 02 lands with 03 acres and 27 perches, 08 lands with 03 acres 01 rood and 3 perches and 02 unsurveyed lands worth Rs. 8,990,000 had not been brought to account.	-Do-	-Do-
(c) The value of certified works amounting to Rs. 1,845,176 of the constructions carried out during the year under review had not been brought to account.	-Do-	-Do-

1.6.2 Non-reconciled Control Account

Audit Observation	Comment of the Sabha	Recommendation
When comparing balances of 05 items of account as per the financial statements as at the end of the year under review with the schedules, there was a difference of Rs. 2,525,986.	This error will be corrected in the preparation of accounts for the year 2023.	The figures indicated in the financial statements comparable with the schedules.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Schedules for 15 items of account totaled Rs. 57,034,945 had not been submitted.	This matter will be further examined and corrected.	Necessary information for the Audit should be furnished.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 48,693,369 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 43,946,748.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	13,200,007	11,678,914	11,090,388	6,009,794	13,102,889	11,407,955	9,687,400	4,924,113
Rents	14,976,791	12,334,931	11,159,829	3,001,502	13,807,050	9,419,883	9,568,002	1,961,549
License Fees	3,926,510	2,194,377	2,018,570	285,088	3,926,510	1,401,282	1,426,432	63,201
Other Revenue	<u>18,130,973</u>	<u>33,689,399</u>	<u>72,545,970</u>	<u>320</u>	<u>36,367,500</u>	<u>30,965,885</u>	<u>30,945,671</u>	<u>320</u>
Total	<u>50,234,281</u>	<u>59,897,621</u>	<u>96,814,757</u>	<u>9,296,704</u>	<u>67,203,949</u>	<u>53,195,005</u>	<u>51,627,505</u>	<u>6,949,183</u>

2.2.2 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) A sum of Rs. 48,412,864 was due from the items of revenue of Rates, acreage tax, stall rents, court fines, and stamp duty as at 31 December 2022. That value included a balance of Rs. 14,693,849 overdue between 01 and 05 years and another balance of Rs. 1,914,427 overdue for more than 05 years.	Necessary arrangements will be made to minimize the outstanding amount.	Action should be taken to recover the outstanding revenue without delay.
(b) A revenue of Rs. 3,750,000 had been lost due to not leasing a part of the Pradeshiya Sabha building for a period of more than 02 years.	A decision has been made at the General Assembly to lease it to a bank.	Assets should not be kept unused.
(c) Chargers of Rs.202,725 had not been recovered for 50 advertisement bards at Rs.150 per square foot.	The Revenue Inspectors were instructed to expedite the recovery.	Action should be taken to recover the outstanding balances.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Debtors of Rs. 256,462 and creditors of Rs. 9,865,456 that continued to exist for more than a period of 05 years as at 31 December of the year under review had not been settled.	This will be further examined and corrected.	Action should be taken to identify and settle the balances that continued to exist over a long period.

3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) No action had been taken to take over 20 vehicles valued at Rs. 30,407,075 and a Bobcat machine of which, the value had not been mentioned.	Arrangements are being made to take over the assets.	Activities related to the taking over of assets should be carried out without delay.
(b) There was no approval for a 04 storied building constructed at Kiriwallapitiya, Rambukkakana in the year 1986. The irregular water and sewerage disposal system had caused distress to the residents in the area.	The land on which the building is located does not belong to our assessment area. However, constructions will be inspected and necessary actions will be taken accordingly.	Due care should be exercised on unauthorized constructions and disturbances to the public

3.3 Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
Soon after the completion of the planting grass on a playground at Bathamburaya, a payable amount of Rs. 378,315 had also been paid after 03 months maintenance period. Due to failure to carry out maintenance, many places were abundance with gravel and the grass appeared to be yellow in colour. Similarly, despite having the water supply within the playground, making payments for fetching water from the outside was problematic.	That the retention money is not included in the final bill and maintenance has been properly carried out. This situation arose since the playground had to be given on rent after the maintenance period. It is informed that action will be taken to carry out maintenance in the future. Since the water supply within the playground was not up to the sufficient level, the task of fetching water from outside was included in the estimate.	Action should be taken to make payments after completing the work in accordance with the agreements.

**3.4 Human Resource Management
Audit Observation**

There were 32 vacancies in the approved cadre and 04 field labourers had been attached to the posts such as Revenue Inspector and the Driver. There was an excess of 04 Development Officers

Comment of the Sabha

Non-completion of vacancies had resulted in this situation.

Recommendation

Vacancies should be filled on requirements and the excess cadre should be effectively attached.