

Rambukkana Pradeshiya Sabha - 2021

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rambukkana 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 Provision of the National Audit Act No. 19 of 2018. 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 Rambukkana 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 Practices.

1.2. Basis for Qualified Opinion

I expressed qualified opinion 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'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

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshia 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 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 -----
<p>(a) A sum of Rs.1,446,510 key money received during the year under review without being accounted as income and due to the crediting to the general deposit account, operating profits has been understated and liabilities had been overstated by the same amount.</p>	<p>It was informed that corrections will be made when preparation of the financial statements for the year 2022.</p>	<p>Accounts should be rectified.</p>
<p>(b) Due to the fact that Rs. 793,980 received as key money related to the previous years was not accounted as income, the accumulated fund was understated and the liabilities were overstated.</p>		
<p>(c) Due to understated of water and gully bowser income of Rs.67,096 and vehicle equipment rental income of Rs.379,581 in the year reviewed. Operating profit was understated by that amount.</p>	<p>It was informed that corrections will be made when preparation of the financial statements for the year 2022.</p>	<p>Accounts should be rectified.</p>
<p>(d) The amount of court fine due for the year 2018 was Rs. 480,847 and the court fine for the month of September 2020 has been overstated by Rs.2,403,103, So the accumulated fund and debtors have been overstated by that amount.</p>		

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
Although the sum of the balances of 02 account subjects as per the financial statements was Rs.28,638,695 and according to the relevant documents/reports, the balance was Rs.34,240,877 and therefore there was a difference of Rs.7,970,406.	It was informed that it has been a long-standing difference and it is a very difficult task to rectify it and it will be investigated and corrected in the future.	Differences should be identified and resolved.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Schedules have not been submitted for audit relating to 5 account subject of Rs. 24,625,995.	Since there has been a difference in the account balances for a long time, it has not been possible to submit the schedules according to the financial statement balances. It was also informed that it further investigated and makes corrections.	Schedules should be submitted with the financial statements. .

1.7 Non- Compliances

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

The instances of non-compliances with Laws, Rules, Regulations and Management decisions were given below

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Acton has not been taken with regard to the 17 overdue deposits of Rs 5,607,206 according to the financial regulation for the period from 2006 to 2018.	It was informed that it will be dealt with as per financial regulation with regard to the overdue deposits.	Function should be done according to the financial regulation.

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 2021 amounted to Rs 43,946,748 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 42,748,428 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
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Rates and Taxes -----		
The outstanding balance of rating tax was Rs.4,745,140 at the end of the year under review and out of which Rs. 3,025,509 was related to the years before 2021, Rs. 1,719,631 was pertains to the year under review. Although measures were taken to recover these balances belonging to 100 units of the public sector and 2132 units of the private sector, it further remained in dues.	It was informed that the Reports for arrears will be given to the revenue officers and arrangements will be made to conduct mobile services and door-to-door programs.	Actions should be made to recover due rates.