

Rambukkana Pradeshiya Sabha - 2020

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 2020 comprising the Statement of financial position as at 31 December 2020, Statement of Financial Operations 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. 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 accompanying financial statements give a true and fair view of the financial position of the Rambukkana Pradeshiya Sabha as at 31 December 2020, and of its financial performance 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

National Audit Act, No. 19 of 2018 includes 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 Act.
- (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 Act.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
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(a) Receivable trade tax due of Rs. 504,551 relevant for the year 2018 had not been accounted.	Although legal action has been taken so far, and Further action would be taken as per the decision of the Governor considering the request made to do justice to the tax money due to the loss of income on prevailed situation in the country. Informed that the income had not been taken forward till then as due.	All receivables income should be accounted.
(b) Due to non-accounting of interest income receivable of Rs. 9,475,818 on investment for the year under review, profit and current assets have under stated by same amount.	Informed that the investment interest will be accounted on an accrual basis in the preparation of financial statements for the coming year.	Receivable income relevant to the year should be identified and accounted.
(c) Rate tax received in the year 2019 for the year under review of Rs. 2,310,263 for which given discount of Rs. 244,963 had not been accounted as expenditure of the year.	The amount received for the year 2020 in 2019 shows more as per rate assessment rate assessing computer software and informed that action will be taken to rectify these errors by further investigating in the preparation of financial statements for the year 2021.	Expenditure relevant to the year should be identified and accounted.

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| (d) | Even though Rs. 1,878,567 of rate tax received in the year under review for the next year due to the transfer Rs. 2,078,275 to the advanced rate received in advanced account, That account and rate debtor's account had been overstated by Rs. 199,708. | Informed that action will be taken to rectify those errors in the preparation of financial statements in 2021. | Accurate amount should be identified and accounted. |
| (e) | Although Rs. 471,422 had been paid as legal fees during the year under review for 20 cases against the pradeshya sabha and 03 cases against the external parties by the Sabha, but disclosures had not been made in the financial statement. | Informed that the action will be taken to disclose regarding of the case in future financial statements | Disclosures regarding the cases should be made in the financial statements. |

1.6.2 Unreconciled Control Accounts or Records

----- Audit Observation -----	----- Comments of the Council -----	----- Recommendation -----
The difference was Rs. 5,324,300 regarding two account subjects as a result, the value of Rs. 24,225.693 as per financial statement and Rs. 29,549,993 as per related schedules.	Informed that action will be taken to rectify by further investigation due to this difference remained from long period.	Action should be taken to rectify by identifying the differences.

1.6.3 Documentary Evidences not made available for Audit

----- Audit Observation -----	----- Comments of the Council -----	----- Recommendation -----
Unable to satisfactorily verify due to non-submission of schedules regarding the 4 account subjects of Rs. 6,319,581.	Informed that the schedules cannot be submitted as per the balances shown in the financial statements and action will be taken to rectify by further investigation.	Schedules should be submitted to verify the accuracy of the accounting balance.

1.7 Non Compliances

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

The instances of non-compliance with the provisions of the laws, rules, regulations and management decisions were given below.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Pradesiya Saba 1988 (finance and administrative) Regulation ----- Rule 185	10 investments valued of Rs. 182,844,816 as at 31st December of the year under review had not been obtain the approval of the Sabha which Invested in 3 State Banks between the years 2016 and 2020 on the approval of the Chairman.	Informed that action will be taken to obtain the approval of the Sabha where investment will be made in the future.	Regulation should be followed.

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 2020 amounted to Rs. 42,748,428 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 24,858,197 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
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(a) Rates and Taxes

The outstanding acreage tax due exceeding over one year was Rs.76,909 at the end of the year under review,	Revenue collection was remained low level due to the prevailed corona epidemic and informed that action will be taken to maintain high level of progress by scheduling the plans at time now.	Action should be taken to recover the dues.
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(b) Rent

Shop rent due at the end of the year under review was Rs. 1,933,875 and outstanding beyond 2 years was remained due to the shortcomings in the shops, and cases had been filed to recover the arrears of more than 5 years.	Non-payment of rent due to the shortcoming of shops, and further action will be taken regarding this outstanding after repairing shortcoming soon and legal action had been taken to recover the outstanding amount of the car park near the Pinnawala Elephant Orphanage and the Keselkan Market and cases had been filed to recover the arrears of over 05 years amounting of Rs. 530,581.	Action should be taken to recover the due revenue as per the agreement by repairing the shortcoming.
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(c) Court fines and stamp fees

Court fine receivable from the Chief Secretary of the Provincial Council and other authorities was Rs. 4,252,229 and stamp duty Rs. 16,430,179.	Informed that the money relevant to the year under review would not be received in that year to the Sabha even though the relevant authorities are constantly informed regarding the court fines / stamp duty.	Action should be taken to recover the due revenue to the Sabha by informing the relevant authorities.
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3. Accountability and Good Governance

Environmental Observation

Audit Observation -----	Comments of the Council -----	Recommendation -----
The garbage collected in the year 2020 was about 2208 tons and the cost incurred for waste management was Rs. 18,693,421. But Sabha had not taken action to collect garbage by separating and that There was no plan to destroy or recycle the non-perishable material and polythene left over from compost production.	Although a Project report has been prepared and submitted to the District Sectary by estimating for construction a burner for polythene that accumulates daily but not approved and even though paid attention to purchase land for holding sanitary. Solution has been not yet received and informed that it hopes to work with Insec in the future.	Sabha should act formally regarding the Waste Management.