

Rathnapura Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rathnapura Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Rathnapura 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 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 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.

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 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 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) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.

- (b) The recommendations made by me during the previous year are included in the financial statements presented 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	Comment of the Sabha	Recommendation
Even though the Stamp Duty receivable regarding the preceding year accumulated to Rs. 21,655,124, the amount received regarding the preceding year had been Rs. 36,102,614. Therefore, because of not making adjustments for under allocations of Rs. 14,447,490 the value of the accumulated fund had been under stated by that amount.	The corrections would be made in the following year after revealing according to the earnings of the year 2020 that if it would be needed to allocate Rs. 14,447,490 further.	The adjustments should be made on the under allocations regarding the preceding years.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 8,358,478 relevant for 06 items of accounts, between the balances as per the financial statements and the balances as per the corresponding reports.	Actions would be taken to settle the balance in the future.	The differences of the relevant balances should be reconciled and corrected.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
The necessary information had not been furnished on 06 items of accounts accumulated to Rs. 489,918 for the audit.	The evidence to prove the balances descending from a long time are not been available and necessary actions would be taken to make further corrections.	The Evidence to proof the balances declared through the Financial Reports should be furnished to the audit.

1.7 Non-compliance

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

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions.

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comment of the Council	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (2)	Actions had not been taken on the Deposits lapsed for the period of 2012 to 2017 accumulated Rs. 3,290,494 according to the relevant Financial Regulations.	The relevant parties had been informed that the deposits would be taken to the revenue if the deposits had not been obtained within 14 days.	Actions should be taken according to the relevant Financial Regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure exceeding the revenue of the Sabha amounted to Rs.7,243,694 for the year ended on 31 December of the year 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 24,058,791.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
i. The Sabha had been failed to recover the hoarding board charges of Rs.228,900 relevant to 14 Hoarding Boards within the authority of the Sabha during the year under review.	Actions had to be taken according to the regulations of the Pradeshiya Sabha Act for the boards that had not been paid the charges.	Actions should be taken to recover the revenue that had not been recovered as soon as possible.
ii. Sabha had not been recovered the business tax of Rs.75,000 that should be recovered from 16 Electronic Transmission Towers and 09 Small Hydro Power Plants within the authority of the Sabha.	A follow up should be carried out on not recovering the charges from the Electronic Transmission Towers and the Hydro Power Plants therefore actions would be taken to inform the progress in the future actions.	Actions should be taken to recover the revenue that had not been recovered as soon as possible.

3. Operating Review

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

3.1 Uneconomic Transactions

Audit Observation

A 03 days Workshop on the Aims and the Plans of the Sustainable Development to make aware the Public Representatives and the Staff had been held in the Ministry of Samurdhi Training Centre in Trincomalee from 21 January to 23 January 2020 and it had been spent Rs.344,200 by the Sabha Fund for food, accommodation, boat rides and fuel on 40 people who participated. Sabha had been failed to make a long term plan based on the Aims of Sustainable Development even though it had been over year after the workshop.

Comment of the Sabha

The main objective of this trip is to encourage the public Representatives about the Sustainable Development Planning as to build a positive attitude about this in the Public about those concepts. Actions would be taken to use the knowledge obtained by this trip in the future when planning the Solid Waste Management according to the Government Policies.

Recommendation

The training programmes should be scheduled and money should be spent as to achieve the expected aims.

3.2 Idle/ Underutilized Property, Plant and Equipment

Audit Observation

740 Garbage Bins valued Rs. 207,844 out of 1000 Garbage Bins valued Rs. 280,870 purchased on 10 October 2019 in the Aim of Distributing among the houses to collect the Garbage had not been distributed as at May 2021 and kept in the Sabha Premises.

Comment of the Sabha

The Subject Officers had been advised to distribute the Garbage Bins within a Month.

Recommendation

Actions should be taken to use the relevant Garbage Bins in the objected tasks.

4. Accountability and Good Governance

4.1 Environmental Issues

Audit Observation

A cost of Rs.1,845,505 had been spent on the disposal of 1380 Metric Ton Solid Waste within the authority of the Sabha during the year under review and 03 staff members, vehicles and 01 equipments had been used for that task. The Garbage that decay had been handed over to Rathnapura Municipal Council because Sabha had no any regular procedure for Solid Waste Management and the Collection of the Garbage that not decay had been stopped.

Comment of the Sabha

The Solid Waste Management Program had been successfully implemented with the Office of Public Health Officer for now and the expenditure had been spent to obtain the knowledge to implement the National Policy of Solid Waste Management and inform that actions would be taken to consider this matter in the future and do accomplish this task.

Recommendation

Actions should be taken in according to the national policies.