

Rideegama Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rideegama Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, and cash flow statement including 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 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 Rideegama Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

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 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 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 required by 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 required 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 -----	Comment of the Sabha -----	Recommendation -----
(a) The value of the Lihiniwehera Holongolla Estate land owned by the Sabha as at 31 December of the year under review had not been assessed and shown in the financial statements	It is informed that action will be taken to make relevant corrections in the ensuing year.	Accuracy should be ensured in accounting.
(b) Even though the disposal of lands and buildings during the year under review was Rs. 630,000, it had been stated as Rs.360,000, thus understating by Rs. 270,000.		
(c) Although the general funds creditors as at 31 December of the year under review amounted to Rs. 17,890,102, it had been stated as Rs.18,890,020, thus overstating by Rs. 999,918.		

- (d) Revenue of 06 revenue items had been overstated by Rs. 5,605,450 and revenue of 02 revenue items had been under stated by Rs.143,027 in the financial statements of the year under review.
- (e) The lease rent to be received as at 31 December of the year under review had been overstated by Rs. 179,808 and the receivable income of 02 items of revenue had been understated by Rs. 11,322,316 in the financial statements.
- (f) Value of 02 capital items amounting to Rs. 1,359,281 of the year under review had not been brought to account.
- (g) Court fines of Rs. 940,375 received during the year under review than the court fines to be received by the end of the preceding year had been credited to the accumulated fund without being brought to account as an income of the year under review.

It is informed that action will be taken to make relevant corrections in the ensuing year.

Accuracy should be ensured in accounting.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 13,974,496 as at 31 December 2021 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 13,117,239.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
Rates and Taxes -----		
A sum of Rs. 3,314,754 from 1,655 assessment units had not been recovered as at 31 December of the year under review.	It is kindly informed to the Audit that action will be taken to recover the dues by implementing mobile programmes.	Action should be taken to recover the Rates in arrears.

Rent

Key Money of Rs. 8,576,500 had not been recovered from 13 shops.

It is informed to the Audit that the lessees had been informed by the letters dated 08 January 2022 and 08 May 2022 to recover the arrears and action will be to recover the arrears.

Arrears should be recovered as a lump sum in terms of circular instructions.

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 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
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Although a resident of Lihiniwehera had been informed by the Letter dated 16 September 2014 to pay a fine of Rs. 1,170,000 for the unauthorized building constructed and obtain approval for the plan, the fine had not been recovered.	It is informed to the Audit that after informing the matter by the Sabha through the letters dated 05 January, 21 January and 31 January 2022, he has informed us his inability to pay the fine by the letter dated 28 January 2022 and accordingly, the matter relating to the approval of this building plan and the payment of the fine was forwarded to the General Assembly. Further action will be taken in accordance with the decision of the General Assembly.	Action should be taken to recover the fines for the constructions carried out without approving plans in accordance with laws and rules.

3.2 Identified Losses

Audit Observation	Comment of the Sabha	Recommendation
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Even though the tree cutting machine of the Sabha worth Rs.76,000 had been misplaced from 21 May 2018, no action had been taken to identify the parties involved in the incident and to initiate disciplinary actions.	A complaint was lodged in the Gokarella Police station on 21 April 2021 and after summoning both parties as per the complaint and conducting an investigation, it was agreed to pay the value of the machine to the Sabha. Nevertheless, money had not been recovered.	In case of misplacing the assets belonging to the Sabha, investigations should be conducted and losses should be recovered accordingly.

3.3 Apparent Irregularities

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) Under the Programme for Strengthening Local Government Institutions, 2021, four tailors owned by the Sabha had been repaired at a cost of Rs. 2,032,000. This repair had been done on 03 quotations presented by 03 institutions. It was observed to the Audit at the physical inspection conducted by visiting to the relevant institutions that quotations sent to two bidders had not been received by those institutions and the printed numbers of the letterhead containing estimated prices of one institute had been effaced using erasing fluid and 4 bids had been prepared for 4 tailors by preparing fake letterheads and further, the handwritings of all the bid documents were the same.</p>	<p>It is informed to the Audit that the repairs were carried out under the quotations presented by an institute registered with the Pradeshiya Sabha that had quoted the minimum prices.</p>	<p>(i) Action should be taken to achieve the procurement objectives in the procurements related to goods, work and services.</p> <p>(ii) Action should be taken in accordance with the provisions of the Establishments Code in connection with the officers involved in this irregularity.</p>
<p>(b) Even though the parcels of land vested in the Pradeshiya Sabha had been so allocated for common amenities of the people residing in those auctioned lands, contrary to those objectives, a house had been constructed on a land containing 9.1 perches of Lot No.07 of the Kanthoruwatta Madithiyawa public land by the owner of the adjacent plot of land. The Sabha had taken action to dispose of this plot of land containing 9.1 perches by assessing it for Rs. 227,000 obtaining approval of the Governor under a decision of the General Assembly.</p>	<p>Lands containing 39.8 have been vested in the Pradeshiya Sabha by Plots Nos. 07,08 and 11 for public purposes. A person has constructed a house on a land including a part of the Plot No.07 belonging to the Sabha and a land area of 9.1 perches has been released on the approval of the General Assembly by obtaining approval through the cadastral and assessing and charging the relevant amount.</p>	<p>The common lands have been reserved for the common purposes of the residents of those lands. Legal action should be taken regarding assessing and disposing of those lands</p>
<p>(c) A house has been constructed on the land of Lot No.26 with 13 perches out of the plots of land of the Godadalupothe Estate. The Audit observed that the auctioneer had sold this parcel of land</p>	<p>Although it has been informed in writing to remove this unauthorized construction, those</p>	<p>The Sabha should take measures to protect public lands. Action should be taken to remove the</p>

and obtained money, and no action had been taken to remove this unauthorized construction.

constructions have not been removed thus far. Accordingly, it is informed to the Audit that this matter has been referred to the General Assembly and it has been forwarded to the Commissioner of Local Government for further action.

unauthorized occupations.

(d) Although 04 acres 01 rood and 2.47 perches of land area should have been given from the Wajirawatta auctioned land for public purposes, an extent of 01 rood and 3.9 per chase of land had not been given. There was no drainage system for this auctioned land and water and electricity facilities had not been provided. Although roads had not been properly constructed laying tar, officers of the Sabha had not taken any action in this regard.

It is informed to the Audit that the extent of land of 04 acres 01 rood and 2.47 perches has been corrected and the plots plan of this land has not so far been approved due to this land auction is full of defects and shortcomings.

After the approval of land auctions, the lands to be vested in the Sabha should be properly obtained and on completion of the development of infrastructure facilities and issuing the Certificate of Conformity, permission should be given to sell the plots of land.