

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rattota Pradeshiya Sabha including the financial statements for the year ended 31st December 2021 comprising the Balance Sheet as at 31st December 2021, Income and Expenditure Account 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 provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported 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 Rattota Pradeshiya Sabha as at 31st 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

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 Sabhahad 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 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 Sabha	Recommendation
(a) The stock of medicine amounting to Rs. 175,625 that received as donation had been credited to the creditors without crediting the capital income account. Also, during the issue of the medicine stock, it was not debited to the recurrent expenditure but to the capital expenditure.	That will be corrected in the accounts of the year 2022.	Financial statements should be prepared accurately.
(b) the total of estimated value and contractual value of 36 development projects whose bills had not been submitted at the end of the year under review, amounting to Rs.11,914,404 had been accounted under creditors.		
(c) Rs.393,612 spent during the year under review for the construction of shelves in the stores had not been capitalized.		
(d) Rs.214,750 which had been paid for the wages of the year under review for the construction of the vehicle yard had been accounted under creditors.		
(e) At the end of the year under review, the stock of stationery worth Rs.277,894 was not accounted under current assets in the financial statements.		
(f) The value of plumbing, electrical equipment and building materials with a total of Rs.1,070,582 issued from stock inventory during the year under review had not been accounted for.		
(g) During the year under review, 02 plots of land of 38.3 perches worth Rs.225,000 received for community and recreational activities had not been accounted under capital income and expenditure.		

- (h) A store creditor balance of Rs.68,660 settled in the previous year was further shown under store creditors in the year under review.
- (i) The amount of Rs.1,678,044 spent in the years 2018 and 2019 to develop 07 Play Grounds on lands belonging to external parties that are not used by the council had been accounted under fixed assets. That will be corrected in the accounts of the year 2022. Financial statements should be prepared accurately

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
According to the financial statements, the sundry debtors amounted to Rs.36,467,570, but according to the related schedules, the value was Rs.37,173,234, So there was a difference of Rs.705,664.	Action will be taken to look into relevant differences..	The balances of the financial statements should be compared with the relevant documents and schedules and corrected.

1.6.3 Suspens Account

Audit Observation	Comments of the Sabha	Recommendation
The Suspend account of Rs.15,462 which had been brought forward since more than 24 years was not settled.	That the balance of the suspense account will be written off in the future.	The balance of the suspense account should be identified and settled.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of necessary information, 17 account subjects total at Rs.39,008,681 could not be satisfactorily checked.	No answers.	The written evidence required for the audit should be submitted.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules Regulations etc	Non-compliance	Comments of the Sabha	Recommendation
Financial regulation 571(3) of the Financial Regulations Code of the Democratic Socialist Republic of Sri Lanka.	Deposits of Rs.433,379 in 16 Projects retained subjects related to the years 2019 and 2020 had not been settled.	That the deposits that can be released will be released and other retained funds will be taken into income.	Actions should be taken to settle the retaine money as per the financial regulations.

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 31st December 2021 amounted to Rs.10,906,371 as compared with the excess of revenue over recurrent expenditure amounted to Rs.9,952,145 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Tax		
Arrears of Rs.384,015 due on 31 st December 2021 in relation to 26 properties in which more than Rs.10,000 per unit of assessment is in arrears had not been collected, in accordance with 158 of the Pradeshiya Sabha Act No.15 of 1987	That the seize of property will be implemented and the arrears will be collected	The arrears of assessment should be collected as per the provisions of the Act.
(b) Rent		
As per the paragraph 5(i) of the agreement relating to the lease of stalls, the outstanding sum of Rs.2,828,730 shop rent for a period of 6 months to 61 months for 45 stalls belonging to the Pradeshiya Sabha in Rattota town had not been recovered.	That legal action will be taken against shop owners who do not pay arrears of shop rent.	Arrears of rent should be recovered.

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 03 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) At the end of the year under review, the total of 03 accounts receivable balances amounting to Rs.13,341,662 had not been recovered.the balance of Rs.4,725,516 in which the period without being charged is for less than 01 year, the balance of Rs.6,927,902 for more than 01 year and less than 05 years, and the balance more than 05 years. Rs1,688,244 were also included.	That, the arrears will be recovered in the future	Actions should be taken to recover the money receivables.
(b) At the end of the year under review, the total of 03 accounts payable balances amounting to Rs.49,625,498 had not been settled, and it included the unsettled balance of Rs.31,618,301 for less than 01 year, the balance of Rs.2,557,149 for more than 01 year and less than 05 years, and the balance of Rs.15,450,048 for more than 5 years.	That the Payable balances will be settled in the future.	Action should be taken to settle the payable balances.

3.2 Controversional Transaction

Audit Observation	Comments of the Sabha	Recommendation
According to Section 19 (1) (xii) of the Pradeshiya Sabha Act No. 15 of 1987, the land called Loneville Estate of 30.5 Perches of area for the construction of a building at the Rattota branch of a State Bank in the year 2013 had been leased for a long period of time without the approval of the Minister and without a lease agreement, at an annual rent of Rs.96,000 decided by the council without obtaining a formal assessment.	That the assessment reports will be obtained and forwarded to the minister in charge for approval, and arrangements will be made to enter into a contract.	The provisions of the Pradeshiya Sabha act should be followed and agreements should be entered into after obtaining the approval of the minister.

3.3 Asset Management

Audit Observation

Comments of the Sabha

Recommendation

The ownership of 24 cemeteries used by the council worth of Rs.531,800 and with a area of 3035.5 perches and 08 cemeteries with 1,040 perches of which value was not recognized, had not been taken over.

That, an asset survey will be conducted and relevant lands will be identified and transfer orders or deeds will be obtained.

Relevant lands should be identified and transfer orders or deeds should be obtained.