

Rajgama Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rajgama Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, Statement of changes in net equity, 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 provisions 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 accompanying financial statements give a true and fair view of the financial position of the Rajgama Pradeshiya Sabha as at 31 December 2022, 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

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 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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Debtor and Creditor balances relating to the construction work carried out by the Sabha had been overstated by Rs.336,445	Will be corrected in future.	Should be accounted correctly.
(b) There was a difference of Rs.3,401,226 between the value of the fixed assets account and the balance of the capital contribution by income account as at the end of the year under review.	- do -	- do -
(c) The court fines amounting to Rs. 5,339,990 which had been recovered as at the end of the year under review, had been accounted as a receivable balance.	- do -	- do -
(d) The provision had not been made for creditors amounting to Rs.189,592 as at the end of the year under review.	Will be corrected in future.	Should be accounted correctly.
(e) The expenditure incurred for building development amounting to Rs.862,554 had not been capitalized.	It was an expenditure incurred for a repair.	- do -

1.6.2 Non reconciled control account or records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 11,531,265 between the balances related to 06 accounting items shown in the financial statements as at 31 December of the year under review and the balances shown in the related utility registers and schedules.	Will be corrected in the future.	Action should be taken to correct after reconciling differences.

1.6.3 Suspense Accounts

Audit Observation	Comment of the Sabha	Recommendation
The action had not been taken to settle the debit balance of Rs.288,833 in the suspense account even up the year under review.	Due to lack of information, it is difficult to settle.	Arrangements should be made to settle the balance.

1.6.4 Lack of Documentary evidence for Audit

Subject	Comment of the Sabha	Recommendation
Due to non-submission of necessary detailed schedules for the confirmation of 15 accounting items aggregating to Rs. 130,474,691 could not be examine satisfactorily.	There are no supporting documents or other information to provide information relevant to the correction.	Evidence should be submitted to confirm the account balances.

1.7 Non-compliances

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

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) The Section 23 and 24 of the Pradeshiya Sabha Act No. 15 of 1987	A Road Inventory Register had not been maintained.	Will be corrected in the future.	Action should be taken according to the Act.
(b) The Section 04 of the Extraordinary Gazette of the Democratic Socialist Republic of Sri Lanka dated 22 April 2013	Even though the members had not submitted the fuel bills for each month, up to 31 December 2022, Rs.708,000 had been paid to 30 members as fuel allowances.	The members are informed.	Action should be taken in accordance with the Gazette
(c) 560 and 561 of the Southern Province Finance Rules	Although a fixed asset register had been maintained, the value of the fixed assets had not been valued and recorded.	Accepted.	Action should be taken in accordance with the Rules.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs. 4,932,635 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 334,570 in the preceding year

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Rates and Tax	8,210,000	5,750,600	5,380,098	17,051,131	7,010,000	2,486,712	1,885,415	16,680,630
Bussinass Tax	3,675,000	2,310,813	2,311,223	656,614	3,900,000	1,341,175	1,341,175	657,024
License Fees	1,600,500	1,076,593	1,076,593	81,622	1,750,000	772,155	772,155	81,622
Other Income	14,683,500	9,344,668	9,344,668	-	13,169,664	5,907,222	5,907,222	-
	<u>28,169,000</u>	<u>18,482,674</u>	<u>18,112,582</u>	<u>17,789,367</u>	<u>25,829,664</u>	<u>10,507,264</u>	<u>9,905,967</u>	<u>17,419,276</u>

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) The total outstanding income at the beginning of the year under review was Rs.17,419,276 and at the end of the year under review it was Rs.17,789,367.	The revenue collection will be done efficiently in the future.	The arrears of income should be recovered as soon as possible.
(b) The outstanding balance of assessment tax was Rs.16,680,630, as at the last day of the year under review out of which a balance of Rs.8,850,610 remained unpaid since the year 2006.	Accepted.	- do -

(c)	The Sabha had lost an income of Rs. 2,874,300 by the end of the year under review, due to non-implementation of the new assessment for the shops belonging to the Sabha.	The chairman has informed that the new assessment will not be implemented until the fish store is withdrawn.	The new assessment should be implemented.
(d)	The court fines of Rs.8,458,407 and stamp fees of Rs.143,021,756 should have been received from the Chief Secretary of the Provincial Council as at 31 December 2022.	Will be corrected in the future.	The arrears of income should be recovered as soon as possible.

3. Operational Review

3.1 Solid Waste Management

Audit Observation

05 acres of land in Monrovia Estate land was given to the Sabha for the waste management project. A compost project that had been running on 02 acres of this land had been stopped for more than 05 years now, and the garbage shredder, garbage mixing machine and the building where the equipment was installed had not been used effectively.

Comment of the Sabha

All the vehicles are safely parked in this building.

Recommendation

The compost project should be implemented and the Sabha's assets should be used effectively.

3.2 Assets Management.

Audit Observation

The ownership of 06 vehicles owned by the Sabha had not been acquired.

Comment of the Sabha

The preliminary work is being done on acquisitions.

Recommendation

Actions should be taken to acquire the ownership.

3.3 Delays in projects, activities or capital works

Audit Observation

Although the Sabha had planned to carry out 12 projects value Rs. 61,250,000 under the Integrated Implementation Development Plan for the year 2022, only one project had been implemented.

Comment of the Sabha

This was due to non-receipt of the predicted income.

Recommendation

Planned projects should be fulfilled.