

Raththota pradeshiya sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Raththota pradeshiya sabha including the financial statements for the year ended 31 December 2022 comprising the Balance sheet as at 31 December 2022, Income and Expenditure account, 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 and with the provisions of the National Audit Act No. 19 of 2018 read in conjunction with the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Raththota pradeshiya sabha as at 31 December 2022, 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 regarding financial statement 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 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 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 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 include 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 of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit observation on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The library books of Rs.86,687 received as donation had not been accounted under capital income and capital expenditure.	That will be corrected by the account of the year 2023.	Should be accounted correctly.
(b) Although the billed stall rent income for the year under review was Rs.4,363,800 and it was accounted as Rs.4,609,027, so which is under accounted by Rs.245,227.	That the relevant amount is corrected by journal entries.	The revenue should be accounted correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There were differences of total Rs.13,725,421 between the balances stated in the schedules related to 06 accounting heads stated in the financial statements.	That the relevant difference will be found.	The account balances should be corrected.

1.6.3 Suspense Accounts

Audit Observation	Comments of the Sabha	Recommendation
Action had not been taken to settle the balance of suspense account is Rs.15,462 which is coming from more than 24 years.	That has been referred to the approval of the Minister in charge for cutting off the balance.	The account balances should be corrected.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
They could not be verified satisfactorily during the audit due to non-submission of the fixed assets register, balance confirmation letters, files and schedules related to 08 asset subjects totaling of Rs.827,314 and 07 liability subjects totaling of Rs.17,664,535 stated in the financial statements of the year under reviewed.	That has been referred to the approval of the Minister in charge for cutting off the balance.	Documents/schedules and files related to account balances should be prepared.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Non-compliances with Laws, Rules and Regulations as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya sabha act no 15 of 1987 Section 19(1)xii	The land called Raththota Lonevill Estate had been leased to a state bank for a period of 30 years without obtaining the prior approval of the Minister.	That a valuation report will be obtained and the approval of the minister in charge of the subject will be obtained and will be entered into the contract.	The provisions of the act should be followed.

- (b) 1988 Pradeshiya Sabha (Finance and Administration) rules
- (i) Rule 59 Although a survey should be conducted regarding the institutes that need to be licensed and a list should be prepared regarding industries and trade businesses including the information mentioned in Rule 60, such a survey had not been conducted and a list had not been prepared for the year under review. That a formal license survey has been conducted for the year 2023 and the license survey report has been prepared. Rules should be followed.
- (ii) Rule 218 The Land and buildings had not been surveyed. That a survey is being conducted. Rules should be followed.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- F R 571(2) The projects retention of Rs.295,452 relating to the years of 2019 and 2020 had not been settled. That will be settled in the future. Financial regulations should be followed.

- (d) Date less April of Salaries of That the letters have been Instructions of the
2018 No. CP/CLG. Rs.808,498 were submitted for the approval of circulars should be
Circular No. 2018/05 paid from October the Commissioner of Local followed.
of the Commissioner 2020 to December Government.
of Local 2022 for a health
Government in worker and a water
Central Provinces worker who were
recruited on a daily
basis (3 months
basis) without
obtaining the
approval of the
Chief Secretary.

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 2022 amounted to Rs.15,916,268 as compared with the excess of revenue over recurrent expenditure amounted to Rs.10,906,371 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 Chairman the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Revenue sours	Estimated revenue	2022			Total arrears as at 31 st December Rs	2021			Total arrears as at 31 st December Rs
		Billed revenue	Collected revenue	Estimated revenue		Billed revenue	Collected revenue		
		Rs	Rs	Rs		Rs	Rs		
(i) Rates tax	1,315,000	1,365,601	1,327,818	2,879,591	1,315,000	1,684,462	1,243,659	2,841,808	
(ii) Rent income	4,519,050	5,121,628	5,556,153	3,521,187	4,480,800	4,306,724	3,634,526	3,955,712	
(iii) License Fees	970,000	1,018,450	1,017,750	406,385	950,000	607,722	607,722	405,685	
(iv) Other Revenue Total	8,000,000	6,807,310	8,343,330	10,814,335	8,150,000	26,252,719	28,347,844	12,350,355	
	14,804,050	14,312,989	16,245,051	17,621,498	14,895,800	32,851,627	33,833,751	19,553,560	

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the sabha are given below.

Audit Observation	Comments of the Sabha	Recommendation
(a) The arrears rates balance as on 31 st December of the year under review was Rs.527,452 from 30 properties with arrears of more than Rs.10,000 per unit.	Necessary actions are being taken to recover the arrears of rates fee.	Provisions of the act should be followed.
(b) Fees of Rs.30,600 had not been collected in relation to 21 advertisement boards displayed in the sabha area.	That in relation to the year 2023, notices have been given regarding the payment of advertisement board fees and collection activities are being carried out.	Action should be taken to collect the revenue.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 5 receivable accounts balances as on the last day of the year under review was Rs.16,957,084.	That the receivable amounts will be collected.	The receivable amounts should be collected.
(b) The total of 3 payable accounts balances as on the last day of the year under review was Rs.17,516,186.	That will be paid in the future.	The payable amounts should be settled.
(c) A building and a water treatment plant had been constructed by the Water Supply Board without obtaining development permits as per Order/Regulation 281 of the Urban Development Authority Act No. 41 of 1978 published in the Special Gazette of the Democratic Socialist Republic of	Legalized and action will be taken to charge the fines according to the 2023 fees revision.	Provisions of the act and financial regulations should be followed.

Sri Lanka No. 2235/54 dated 08th of July 2021.

3.2 Operational Inefficiency

Audit Observation	Comments of the Sabha	Recommendation
Although an estimate of Rs.683,480 had been obtained for the repair of a sabha's cab by a private company, due to a delay of 08 months in getting another estimate according to a decision of the council meeting, the sabha had to bear a financial loss of Rs.172,880 according to the price changes.	That was directed to approval of the Governor for the new estimate obtained based on the decision of the committee.	The tasks should be completed without delay.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
The Bandarapola E Nanasala computer center owned by the sabha has not been operational since 25 th of October 2019 and 61 computer units and accessories and office equipment have remained idle, and the value has not been recognized and accounted	That has been send for approval to recruit a computer trainer.	The assets should be utilized effectively.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The fence had not been made of Rs.1,103,000 for the total of 14 plots of land with an area of 386.85 perches and unidentified area of Rs.200,000 plot of land and had not been secured.	That security will be established immediately.	Security of property should be ensured.

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| (b) | The 12 plots of lands used by sabha the total of Rs.1,724,744 which is consist with 6 acres, 1 rood and 22 perches and 04 unidentified lands and 78 lands under Rattota Divisional Secretariat, Land Reform Commission and private ownership had not been taken over. | That the ownership of the respective lands are identified and transferring to the council. | Action should be taken to take over the ownership of the lands. |
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3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
As on the last date of the year under review there were 29 vacancies in 13 approved posts of the Council and 3 excess in relation to one post.	That the Commissioner of Local Government has temporarily suspended further recruitment works.	Action should be taken to fill the vacancies.

4. Accountability and Good Governance.

Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget prepared for the year under review, the estimated income and expenditure in comparison with the actual income and expenditure vary from 45 percent to 100 percent of the 20 expenditure heads and from 45 percent to exceeding the 100 percent of 36 income heads. It was observed that budgeting had not been used as an effective management control tool.	That will be corrected at the preparation of draft budget for the year 2024.	Income and expenses should be accurately predicted and budget should be prepared.