

Rambukkana Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rambukkana Pradeshiya Sabha for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 and the income and expenditure account, and other explanatory information, 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 Subsection 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 Rambukkana Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices for Local Authorities.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 this 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 for Local Authorities, 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 financial reporting process of the Pradeshiya Sabha.

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:

- Designed and performed the appropriate audit procedures, identified and assessed 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.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 timeframes and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- (a) The Financial Statements presented are consistent with that of the preceding 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(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
(a)	.Instead of billing the income after an annual survey, the income of 04 income particulars amounting Rs. 2,372,276 received during the year had been identified as billed income.	The value will be accounted in future subsequent to an annual survey.	The accounts should be prepared correctly.
(b)	An amount of Rs. 402,219 received for the year 2022 as tourist hotel tax had been accounted as income of the year 2023. Also, this amount had not been accounted as debtors for the year 2022.	- Do -	- Do -

1.6.2 Absence of written evidences for the audit

Audit Observation	Comment of the Sabha	Recommendation
The schedules related to the creditors at a value of Rs. 385,102 existed since before the year 2017, the advances worth Rs. 1,274,477 and the fixed assets of Rs. 15,617,625 were not presented.	The schedules cannot be found and the corrections will be made after making further probes.	The schedules should be presented.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the income exceeding the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2023 was Rs. 64,947,431 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 48,693,369.

2.2 Revenue Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

As per the information presented by the Secretary, the particulars about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year are given below.

Income Source	2023				2022			
	Estimated income	Billed income	Collected income	Total deficit as at 31 December	Estimated income	Billed income	Collected income	Total deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	13,209,069	12,629,922	11,971,803	5,670,745	13,200,007	11,678,914	11,090,388	6,009,794
Rents	18,842,914	15,301,888	13,752,511	4,432,293	14,976,791	12,334,931	11,159,829	3,001,502
License Fees	3,975,500	4,400,625	4,722,307	361,371	3,926,510	2,194,377	2,018,570	285,088
Other income	<u>101,373,820</u>	<u>95,645,927</u>	<u>48,843,144</u>	<u>35,587,750</u>	<u>44,080,973</u>	<u>65,214,938</u>	<u>72,545,970</u>	<u>39,876,206</u>
	<u>137,401,303</u>	<u>127,978,362</u>	<u>79,289,765</u>	<u>46,052,159</u>	<u>76,184,281</u>	<u>91,423,160</u>	<u>96,814,757</u>	<u>49,172,590</u>

2.2.2 Performance in Collecting Revenue

Audit Observation

The outstanding balance of assessments tax, acre tax, rents and court fines as at 31 December 2023 was Rs. 17,170,677 and a balance of Rs. 2,952,729 older than 05 years was within the said balance.

Comment of the Sabha

The actions will be taken to collect the outstanding balances.

Recommendation

The outstanding income should be collected.

3. Operating Review

3.1 Management Deficiencies

Audit Observation

- (a) 187 Street Lamps had been fixed without obtaining the required approval as per the instructions of the Secretary to the Ministry of Power and Energy.

Comment of the Sabha

The required approval will be taken to fix the street lamps.

Recommendation

The formal approval should be obtained.

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| (b) | A building had been constructed incurring an expense of Rs. 97,595,816 from the funds of the pradeshiya sabha in the land where the pradeshiya sabha building belonged to Katharagama Devalaya is located, and there was no evidence to verify the value of the building that had been accounted as Rs. 2,500,000. | The vesting order of the said land has been found and the value of the building and the land will be accounted after getting the above order verified. | The ownership of the assets should be clear. |
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3.2 Management Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
As commercial license survey had not been carried out in the year 2023, the income received had been accounted as billed income. Consequently, any outstanding income was not shown.	The surveys will be carried out in the year 2024 and the billed income will be accounted.	The actions should be taken to recover the outstanding income.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
348 galvanized flag posts received as a donation from the Ministry of Devineguma in the year 2015 had been misplaced.	The issuance has been done as per the instructions of the Chairman and the existing flag posts will be used for income generation activities in future.	The safety of the assets should be ensured.

3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
(a) There were 25 vacancies from the approved number of posts and an excess of 03 Development Officers. 11 employees had been entrusted with the duties of other posts, which are not the duties of their post.	The observation had been accepted.	The arrangements should be made to fill the vacancies.
(b) The outstanding loan amounting to Rs. 358,441 from 05 officers had not been collected.	The arrangements are being made to recover.	The employee loans should be collected.