

Ruwanwella Pradeshiya Sabha – 2021

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ruwanwella Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 December 2021 Statement of Financial Operations, 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 Provision 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 financial statements give a true and fair view of the financial position of the Ruwanwella Pradeshiya Sabha as at 31 December 2021, 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

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 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 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 Council	Recommendation
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(a) The total of Rs. 1,020,783 donations and Rs.1,164,131 fixed deposit interest income as on 31st December 2021 had been deducted from other income dues instead of being accounted as capital aids and other income.	It was informed that the facts indicated were correct.	Accounts should be rectified.
(b) The rating tax receivable amounting of Rs.2,072,771 has been written off by a single entry without any approval for correcting the balance of the due rating tax account in the year under review.	It was informed that it has been submitted to approve for written off	Rate tax receivable cannot be written off without approval and accounting should be done correctly.

- (c) Due to the value of library books had been understated by Rs.338,437, the library books accounts and contribution to income from capital accounts have been understated by that amount. It was informed that the Accounts should be rectified. facts pointed out will be accepted and will be corrected when preparation of the final account of the year 2022.

1.6.2 Unauthorized Transactions

Audit Observation	Comments of the Council	Recommendation
17,265.85 of fuel litters has been used from April 2012 to September 2020 for the official vehicle of the Chairman of the Sabha exceeding approved monthly 500 litters of fuel without obtaining the approval of the line Minister of the province. Thus Rs.1,898,611 expenditure had been spent on fuel contrary to 156(7) and without proper authority as per 156(i) a(i) of the financial regulation. Action has not been taken to recover regarding this money.	That the general meeting has unanimously passed a resolution to get the approval of the line minister of the province to increase the approved monthly fuel quantity for the chairman's official vehicle up to 750 litters. It was also informed that no actions have been made regarding the obtaining the approval of the line minister.	Action should be done to recover the money spent on the fuel obtained without approval.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
The information required for the audit had not been submitted regarding total Rs. 80,168,825 in relation to 04 accounting subjects.	It was informed that the facts pointed out are accepted and this will be corrected where preparation of the final accounts of the year 2022.	Written evidence should be submitted to verify account balances.

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 2021 amounted to Rs 17,622,912 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 6,709,574 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

	Audit Observation	Comments of the Council	Recommendation
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(a)	Rates		

	The balance of rate tax to be collected from 24 rating units of the state sector and 2407 rating units belonging to the private sector were Rs. 5,053,359 at the end of the year under review and Action has not been taken to recover this balance.	That the balances due were not correct due to the fact that the rating register was in faulty, It was also informed that the rating register will be corrected prior to the end of this year.	Action should be taken to recover due rates.
(b)	Rent		

	The balance of rent due from 129 shops was Rs. 11,801,918 at the end of the year under review, out of which Rs.6,521,423 in the year under review and the balance of Rs. 5,280,495 was also a year over balance.	That all the tenants have been informed in writing to pay the arrears, It was also informed that the revenue are being recovered in quick from the revenue officers by the time now.	Actions should be taken to recover the arrears of income.

(c) Other

Public toilet charges due at the end of the year under review of Rs. 33,184 and penalty charges of Rs. 6,347,220 had not been taken action to recover.

It was also informed that the revenue are being recovered in quick from the revenue officers by the time now.

Actions should be taken to recover the arrears of income.

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 3 of the Pradeshiya Sabha Act are shown below.

Identified Losses

Audit Observation

Key money of Rs. 6,610,000 was obtained from 23 traders for the construction of a two-storied building related to the development of Ruwanwella city and while 2 instalment payments of Rs.3,014,484 made for 6 shops on the ground floor. The title of the land has been transferred to the plaintiff due to the fact that a certified copy of the plan and gazette has not been submitted by Sabha to the court regarding the acquisition under section 38 of the Land Acquisition Act in relation to a case of the title of the land and the amount of Rs. 4,819,144 incurred for the construction was a loss to the Sabha and It was also not able to provide business premises for the money received from traders. But the action has not been taken to recover this money by identifying the responsible people for this.

Comments of the Council

That a request has been made through the Kegalle Assistant Local Government Commissioner to conduct a department investigation for taking the necessary measures regarding this and it was informed that the measures taken accordingly will be informed to the audit.

Recommendation

The responsible parties should be determined and the loss should be recovered.