

Ratnapura Pradeshiya Sabha 2021.

1. Financial Statements

1.1 Qualified Opinion

The Audit of the financial statements of the Ratnapura Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, Cash flow statement for the year then ended including a summary of significant accounting policies and other explanatory information 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 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 published 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 Ratnapura Pradeshiya Sabha as at 31 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

My opinion is qualified based 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 the 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 as management determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Those charged with governance, are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

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 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 misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 discourses, 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 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 the following requirements.

- a) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous 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	Comments of the Council	Recommendation
(a) Capital revenue amounting to Rs. 1,842,052 receivable in respect of 02 works completed in the previous year had been brought to account as revenue relating to the year under review.	Agreed and It has been informed, that if will rectify in the preparation of accounting statements for the year 2022.	Revenue relating to the year and adjustments of the preceding years should be correctly identified and should prepare accounts.
(b) The adjustments had not been made in the statements of financial operations for the machinery and equipment amounting to Rs. 703,806 received as donations for the year under review.	Agreed and It has been informed, that if will rectify in the preparation of accounting statements for the year 2022.	Revenue and expenditure relating to the year should be correctly identified and accounted for.
(c) Even though all estimated works of construction of Malwala public lavatory system had been completed by incurring of Rs. 3,754,844 as at the end of the year under review that, cost had not been capitalized.	It has been informed, that the value will be assessed and capitalized in the year 2022.	Capital expenditure should be capitalized.

1.6.2. Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Council	Recommendation
A difference of Rs. 19,971,420 was observed between the balance according to the financial statements as at the end of the year under review relating to 06 items of accounts and the balance according to subsidiary registers.	It has been informed that long standing inconsistencies will be identified and corrected by comparing them with the previous year's records and further inconsistencies will be corrected in the future.	The value of the assets shown in the statement of financial position should be reconciled with the respective schedules.

1.7 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
	Financial Regulations of the Democratic socialist Republic of Sri Lanka.			
(i)	Financial Regulation 371(5)	The advances of Rs. 1,202,640 granted for Provincial Council works special programmes, revenue licensees, vehicle maintenance during the period from 2005 to 2021 had not been settled.	It has been informed, that amount of Rs. 1,202,640 pointed out relating to the period from 2005 to 2021 has to be settled.	Action should be taken in terms of financial regulation.
(ii)	Financial Regulation 571(2)	Action had not been taken on lapsed deposits in respect of works deposits valued at Rs. 5,756,317 and miscellaneous deposits relating to the period from the year 2010 to the year 2019.	It has been informed that, the works deposits held since 2010 will be taken into income and most of the deposits remained up to the end of the year 2018 had been taken into income and the officers in charge of the subject have been instructed to take	Action should be taken in terms of financial regulation.

deposits exceeded
02 years into
income.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 13,402,031 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.7,243,694.

2.2 Revenue Administration

Performance in Collection of Revenue

Audit Observation	Comments of the Council	Recommendation
Other income		
An income totaling Rs. 477,100 was remained in arrears for 32 advertisement hoardings relating to the year under review and preceding 02 years and due to the weak functioning of the Sabha, it was not possible to recover the arrears.	It has been informed that, even though it was informed in writing to make payments from the first day of the year and sent reminders many organizations default the payments. Ultimately the advertisement boards that are not paid for will be removed and the relevant organizations are not take the advertisement boards after paying and on that situation the Sabha lose the advertisement boards income.	Action should be taken to collect due income through proper field monitoring.

3. Operating Review

The matters observed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services, thoroughfares and the comfort, facilities and well-being of the people under section 03 of the Pradeshiya Sabha Act are given below.

3.1 Idle or under utilised property, plant and Equipment

Audit Observation	Comments of the Council	Recommendation
(a) An air-conditioner (18000 BTU) valued at Rs. 135,000 which purchased unnecessarily, on 02 July 2019 has remained idle in the stores for over 02 years by the date of audit on 05 April 2022.	It has been informed that, it was purchased to be installed in the room planned to be prepared for the chairman and even though, the financial conditions of the Sabha is good the machine remained idle as money has to be spent on essential expenses.	Requirements should be identified accurately and purchases should be made.
(b) A proper register had not been maintained in respect of street lights receipts and issues. In the months of July and November 2021, 2454 units of street lights amounting to Rs. 1,230,455 had been purchased. By the date of audit, 05 April 2022, 1936 units of street lights valued at Rs. 1,046,145 which had been purchased for 06 to 10 months had remained idle in the stores.	It has been informed that. The officer in charge of the subject will be informed to rectify the deficiencies in the street light register and the said street lighting items were idle by the date of audit.	Prompt action should be taken to identify correctly the needs and make purchases and use then for purposeful tasks.

3.2 Management of Vehicle System

Audit Observation	Comments of the Council	Recommendation
The 04 tires applied on 06 May 2020 to the cab used for the chairman's travels were changed and again on March 08 2021 by incurring a sum of Rs. 224,000 the tires manufactured in Japan that could run for about 50,000 km had been purchased. After running of 8936 km in 02 months and 27 days again on 27 May 2021 Rs. 231,600 had been spent	It has been informed that, the identification numbers of the tires had not been entered in the log book before, and according to the report of the technical officers the old tires had been handed over to the stores and action will be taken to inform the subject officers to prevent the deficiencies in the future.	Even the minimum distance guaranteed by the tire manufacturer should be driven and public money should be used with maximum efficiency.

for changing tires manufactured in a foreign country. However, to identify the changed tires, the identification numbers of the tires at the time of purchase. We're not mentioned in the log book.

4. Accountability and Good Governance

4.1 Environmental Problems

Audit Observation

A plan for waste management activities had not been prepared and for disposing of about 660 tons of solid waste in the year under review within the authoritative area of the Sabha, a total cost of Rs. 6,926,063 consisting Rs. 6,234,942 and Rs. 691,121 had incurred for 14 employees and a vehicle respectively. Due to the fact that the Sabha did not have a formal waste management system, the bio degradable waste had collected and handed over to the waste yard of the Ratnapura Municipal Council.

Comments of the Council

It has been informed that, a sum of Rs. 312,000 had been paid to the waste yard of the Ratnapura Municipal Council from July 2019 to July 2021 and even though 14 laborers were employed only one driver and two health laborers were permanently employed to collect garbage.

Recommendation

A waste management methodology in compliance with the national policies should be prepared and implemented.