

Uva Paranagama Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Uva Paranagama Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, cash flow statement for the year then ended and 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 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 financial statements give a true and fair view of the financial position of the Uva Paranagama Pradeshiya Sabha as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 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 (SLAS). 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 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 of the Sabha

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess 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.
- An understanding of internal control relevant to the audit was obtained 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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 special provisions are included in relation to the following requirements specified in the National Audit Act, No.19 of 2018.

- (a) According to the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are consistent with the preceding year.
- (b) The financial statements presented includes 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	Comment of the Sabha	Recommendation
(a) A sum of Rs.25,021,311 received to the Pradeshiya Sabha by the Regional Development Assistance Project in the year under review had not been brought to accounts as capital aids and the amount expended had not been brought to accounts as capital expenditure.	It will be corrected in the preparation of accounts in the following year.	Accounts should be prepared accurately.
(b) Without fulfilling the work, 18 industries amounted to Rs.2,985,000 which had been planned to provide for lavatory aids and construction industry in the year under review, had been brought to accounts as creditors.	Forwarded to obtain recommendations from the management committee for the writing off of the sum of Rs.1,400,000 of creditors for lavatory aids.	Accounts should be prepared accurately
(c) The value of Rs.127,564,613 of lands and buildings owned by the Sabha had not been brought to accounts as property, plant and equipment.	It will be corrected in the preparation of accounts in the following year.	Accounts should be prepared accurately
(d) It had not been revealed in financial statements regarding 03 court cases prosecuted against the Sabha by the external parties.	Will be revealed in financial statements regarding the information on suits in the following years.	Should be revealed in financial statements regarding suits

1.6.2 Lack of Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Stock balance of Rs.1,158,356 existed according to the financial statements as at 31 December in the year under review, had not been satisfactorily examine at audit due to non-submission of physical existence, schedules or stock survey reports.	Not commented	Evidence of proofing account balances shown in financial statements should be forwarded.

1.7 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Sabha	Recommendation
(a) Pradeshiya Sabha Rules for Financial Administration of 1988			
(i) Rule 19	Even though the secretary to the Sabha should personally responsible for the security and proper use of counter foiled books, 1350 tickets of Rs.72,500 which the official seal had not placed, had been issued for charging of fees at Bomburuella car park.	Placing of official seals for all counter foils at the office are being carried out by this time.	Counter foiled books which Official Seals are placed should be issued properly.
(ii) Rule 59	Action had not been taken to levy taxes regarding the industries maintained within the Sabha area by carrying out surveys.	Surveys have not been done due to the critical condition prevailed in the country.	Annual survey should be done on the industries conducted in the area and they should be regulated.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka 104(4)	Even though 7 months has been elapsed from the accident occurred on 04 August 2022 to the cab vehicle belonging to the Sabha, the full report had not been submitted.	Full report has not been received as yet.	Action should be taken in accordance with Financial Regulations.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs.23,018,030 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.17,308,375.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information provided by the Chairman, particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue Rs.	Billed Revenue Rs.	Collected Revenue Rs.	Total Arrears as at 31 December Rs.	Estimated Revenue Rs.	Billed Revenue Rs.	Collected Revenue Rs.	Total Arrears as at 31 December Rs.
(i) Rates and Taxes	3,019,540	2,993,051	2,163,947	829,104	3,019,540	3,164,418	2,584,829	579,589
(ii) Rents	1,008,480	1,054,732	907,155	147,577	1,008,480	1,026,737	857,972	168,765
(iii) License Fees	1,150,000	1,237,493	1,237,493	0	1,100,000	1,257,646	1,257,646	0
(iv) Other Revenue	1,150,000	983,853	855,115	128,738	815,000	1,734,050	1,488,050	246,000
Total	<u>6,328,020</u>	<u>6,269,129</u>	<u>5,163,710</u>	<u>1,105,419</u>	<u>5,943,020</u>	<u>7,182,851</u>	<u>6,188,497</u>	<u>994,354</u>

2.2.2 Performance in Collecting Revenue

Observations on performance in collecting revenue of the Sabha are as follows.

Audit Observation	Comment of the Sabha	Recommendation
(a) Water charges of Rs.499,154 in arrears which the time analysis not submitted as at 31 December in the year under review ,had not been recovered.	The amount in arrears will be recovered	Revenue in arrears should be recovered.
(b) A field test had not been carried out for the identification of hoardings in the year under review. Even though 27 displaying hoardings had been included in the register for the year under review and preceding year according to the display hoardings register, the charges amounting to Rs.66,219 due from 16 hoardings out of that, had not been charged.	A survey had not been carried out for the year under review. Survey on display hoardings has been carried out for the year 2023.	Survey on display hoardings should be carried out annually and fees should be charged

3. Operating Review

3.1 Execution of duties vested by the Act

Under Section 3 of the Pradeshiya Sabha Act, the matters observed on the execution of the duties which should be executed by the Sabha such as be charged with the regulation, control and administration of all matters relating to public health, public utility services and public thorough fares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area are given below.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Environmental Protection Licenses had not been obtained for the crematorium which is maintained since the year 2021.	Action will be taken to obtain Environmental Protection Licenses.	Action should be taken to obtain Environmental Protection Licenses for the crematorium and waste management centre.
(b)	Even though 15 water projects has been implemented by the Sabha for the supplying of water to the public, water had been supplied without checking suitability by testing water samples.	People were make aware on the supplied water is not suitable for drinking due to a large cost has to be incurred for testing of water samples and purify them.	Drinking water requirement of the people should be fulfilled by testing the suitability of water.
(c)	Even though lavatory facilities should be supplied by identifying the places which required additional lavatories, ticket fees of Rs.50 and Rs.500 are charged from the local and foreign tourists respectively who come to visit Bomburu Ella tourist area which is belonging to the Sabha. However, lavatory facilities had not been provided for the same place.	Construction of lavatories has been delayed due to the problem of obtaining land for lavatory facilities.	Common facilities should be provided by identifying required places.

3.2 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	A sum of Rs.1,329,200 had been paid by the Sabha fund without the report of the technical officer which regards the estimates and number of hours has to be paid to a supplier who has been selected for cutting soil in the land which the construction of building of shopping complex which had been implemented under Regional Development Project in the year under review.	Reports of the technical office will be furnished in due course.	Estimates of the number of hours and reports should be submitted when using machineries.

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| (b) | Even though it was identified that 12 trade stalls had been sub-leased in the survey of the stalls which were done temporary assessment, no any action had been taken on sub-leasing. | The relevant error will be corrected as per the agreement. | Action should be taken as per the agreement in relevant to the stalls which has been sub-leased . |
| (c) | Lease rents had not been assessed timely once in 05 years according to the Paragraph 02 of the Circular No.1980/46 and dated 31 December 1980 of the Commissioner of Local Authorities. | Even though assessment had been done in the year 2016, a revised rent had been incurred due to the objections of shop owners. | Action should be taken in accordance with circular instructions. |
| (d) | Even though only 44 trade stalls belonging to the Sabha had been assessed in the year 2016, assessment had not been implemented up to date. | Even though assessment had been done in the year 2016, a revised rent had been incurred due to the objections of shop owners. | Stall rents should be charged by assessing trade stall rents in a timely manner and entering into new agreements. |

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
Ownership had not been confirmed by identifying boundaries of 06 land plots out of 07 land plots which are total extent of 03 acres 01 roods 25.45 perches which is 10 percent of the lands which had been developed and sold in the area of authority. As such, those 07 land plots was remained idle without doing any development activity.	It was unable to demarcate the boundaries due the Sabha fund is not adequate. I will take action to construct protective fences in due course. Idled lands will be used for common activities after became populous.	The lands belonging to the Sabha should be identified clearly and action should be taken to use them effective activities.