

Ukuwela pradeshiya sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ukuwela 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 and 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 Ukuwela 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 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the fixed assets register, the value of Ovilla Cemetery was Rs.10,000 but it had been over-accounted by Rs.150,000 as Rs.160,000 in the financial statement.	That will be accounted the correct value of assets.	The accounts should be prepared correctly.
(b) The cost of Rs.1,659,435 that demolished Ukuwela public toilet in the year under review had been stated under fixed assets.	That it will be corrected in the preparation of the final accounts in the year 2023.	Fixed assets should be accounted.
(c) Although the first floor of the Ukuwela Public Market had been completed in the year under review, the amount of Rs.6,357,503 had not been capitalized.	That it will be capitalized in the preparation of the final accounts in the year 2023.	Constructions should be capitalized.
(d) Rs.26,542 payable tax to the Inland Revenue Department from the advertisement board income had been considered	That it will be corrected in the preparation of the final accounts in the year 2023.	The accounts should be corrected.

and accounted as an income for the year.

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) Section 8 of the Urban Development Authority Act No 41 of 1978	A restaurant was being operated at the business premises located in Kumiyangoda on 07 th of February 2023, and at that time compliance certificates had not been obtained for the relevant buildings. Accordingly, the fees of Rs.25,800 had not been charged for 516 days from 01 st of August 2021 when the trade license was applied and to the last day of the year under review.	That it was not possible to issue a compliance certificate due to the ongoing legal cases have being related to this building.	The outstanding balance should be calculated and charged as per the provisions of the Act.
(b) Pradeshiya Sabha (Finance and Administration) Rules, 1988			
(i) Rule 59	A list of industries had not been prepared based on the license survey.	That the license survey has been done and the lists had been prepared.	Rules should be followed.
(ii) Rule 61	Due to the industrial tax documents had not been prepared according to that P.S. 26 model it was not possible to identify	That the relevant documents have been prepared.	The lists should be prepared as on rules.

the payment defaulters
as per Rule 65.

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| (iii) | Rule 218 | Land and building survey had not been conducted after 31 st of December 2017. | That a survey will be conducted in the future. | The rules should be followed. |
| (c) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | |
| | FR 1646 | The daily running charts of 16 vehicles belonging to the sabha had not been submitted. | That the financial regulation will be followed in future. | Financial regulations should be followed. |
| (d) | Treasury Circular No. 842 dated 19 th of December 1978 | The fixed asset register had not been maintained for furniture and fittings, machinery and equipment of Rs.12,596,982. | That will be maintained continuously from the year 2023. | Instructions of circular should be followed. |
| (e) | Circular No. 2016/3 dated 17 th of March 2016
Commissioner of Local Government in Central Province | | | |
| (i) | Paragraph 10 | The lessees of 06 stalls in Ukuwela Public market had sub-leased them to other parties for a monthly rent of Rs.6,000 to Rs.15,000. | That the trade licenses have been obtained by the stall keepers who have contracted with the sabha. | Instructions of circular should be followed. |
| (ii) | Paragraph 5(1) | The equal fee has been continuously charged for 59 stalls since 2011. | That the reports were not submitted due to delay in the valuation department. | Instructions of circular should be followed. |

- (iii) Paragraph 06 The agreements of 45 stalls in Ukuwela central market had not been renewed according to the new valuation obtained in the year 2020 and which 13 shops had not renewed their contracts for a period of 22 years after the year 2000. That action will be taken to renew the agreement after received the revised valuation report. Instructions of circular should be followed.

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.32,311,456 as compared with the excess of revenue over recurrent expenditure amounted to Rs.34,019,555 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 sources	2022				2021			
	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates tax	2,101,000	2,111,813	2,425,177	449,710	2,181,000	3,039,768	2,830,709	763,074
(ii) Stall rent	4,000,000	1,239,710	1,416,971	446,717	5,480,000	5,268,254	4,762,908	623,978
(iii) License Fees	1,110,000	546,330	546,330	-	2,030,000	1,496,402	1,496,402	-
(iv) Other Revenue	5,000,000	3,749,009	4,437,448	1,579,564	39,040,269	47,036,581	48,899,248	39,194,681
Total	12,211,000	7,646,862	8,825,926	2,475,991	48,731,269	56,841,005	57,989,267	40,581,733

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) Rates and Taxes		
As on the last day of the year under review, the outstanding of 138 property units exceeding Rs.1,000 was Rs.378,249.	Conducting mobile services to seize the properties and the rest of the property will be recovered in the future.	The outstanding balance should be calculated and charged as per the provisions of the Act.
(b) Stall Rent		
8 stalls in the public market building on 21 st of December 2021 and another 8 stalls had been completed and handed over on 14 th of July 2022. However, the stalls could not be leased due to non-availability of electricity by the last day of the year under review. Due to this the rents of Rs.432,000 which could have been obtained for that period had been lost.	That there was a delay in getting supplies from the Electricity Board due to the situation in the country in 2019.	Action should be taken to lease the finished stalls.
(c) Three wheeler Fees		
Only 149 three-wheeler owners had paid the relevant fees to the sabha and Rs.40,200 had not charged from the remaining 67 three-wheelers.	That the arrears have been collected in the year 2023.	Action should be taken to charge the arrears income.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 4 receivable accounts balances as on the last day of the year under	Actions have been taken to conduct mobile services by deploying officers in groups to collect arrears revenue.	Action should be taken to charge the arrears income.

review was
Rs.11,298,759.

- (b) The capital creditor balance as on last day of the year under review was Rs.21,805,816. That the arrears will be collected in the year 2023. Action should be taken to settle the payable balances.
- (c) Ukuwela Pradeshiya Sabha had not taken over the ownership of 46 plots of land used as cemeteries (including 03 cemeteries owned by the District Land Reform Authority). That requests have been made to the Regional Secretary and the Land Reforms Commission to arrangement for the handover. Actions should be taken to take over the ownership of land.

3.2 Human Resource Management

Audit Observation

Comparing the approved carder and actual carder of the council there were 17 vacant of 10 posts and 09 excess in one post.

Comments of the Sabha

That the all recruitments have been temporarily suspended as it has been decided to recruit multi-purpose development assistants for the vacant posts in the primary service unit.

Recommendation

Vacancies should be filled.

3.3 Operation Inefficiency

Audit Observation

In the year under review and in the previous 4 years, 2,219 applications had been received for building development permits and out of which 1,992 applications had been approved. Only 64 certificate of compliance had been issued during that period. Also, follow-up had not been done regarding 227 applications that were not approved.

Comments of the Sabha

Whether the informed in writing and verbally to obtain compliance that the obtaining of compliance has been delayed.

Recommendation

Action should be taken to issue certificates of compliance.

**4. Accountability and Good Governance
Budgetary Control**

Audit Observation

According to the budget prepared for the reviewed year, when comparing the estimated income and expenses with the actual income and expenses, variations of 41 percent to 100 percent were observed in 20 expenditure heads and 51 percent to 100 percent in 34 income heads, so the budget had not been used as an effective management control.

Comments of the Sabha

That the circular instructions will be followed in the preparation of future budget documents.

Recommendation

The need should be ascertained and the budget should be prepared with due care.