

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Ganga Ihala Korale pradeshiya sabha for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 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 Sub-section 172 (1) of the Pradesiya 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 presented in 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 Ganga Ihala Korale pradeshiya sabha as at 31<sup>st</sup> 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 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 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

### 1.6.1 Accounting Policies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The Land Reforms Commission has agreed to hand over a land of 01 acres, 03 roods and 05.26 perches at the assessed value of Rs.9,993,990 but no allocation or disclosure in this regard was made in the financial statements of the year under review.	Taking over of this land will be done using the sabha fixed deposits	Should be disclosed.

### 1.6.2 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) Rs.5,931,336 spent for building construction in the year under review was not capitalized.	Will be corrected by the account of the year 2023.	The account should be corrected.
(b) During the year under review the demolished value of the sabha vehicle park amounting to Rs.1,000,000 had not been removed from the accounts.	Will be removed from the account of the year 2023.	-Do-
(c) As on the last day of the year under review the stock of fertilizer worth Rs.249,328 in the garbage landfill was not accounted.	The existing stock will be accounted in the year 2023.	Stocks should be accounted.

- (d) No provision was made in the accounts for audit fee and audit fee payable during the year under review. Will be accounted in 2023. The account should be corrected.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Deeds or transfer orders were not presented for land and buildings amounting to Rs.8,406,517 mentioned in the financial statements of the year under review.	Will be presented evidence confirming the balances in the financial statements.	Deeds or transfer orders should be obtained.

## 1.7 Non- Compliances

### Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
Gazette No.1533/16 dated on 25 <sup>th</sup> of February 2008	35 of expired environmental licence had not been renewed.	That letters have been sent in time to time informing the industrialists as per the provisions of the Environment Act.	Should be followed the provisions of the Act.

## 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<sup>st</sup> December 2022 amounted to Rs.37,491,762 as compared with the excess of revenue over recurrent expenditure amounted to Rs.25,703,146 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 source	Estimated revenue	Billed revenue	2022 Collected revenue	Total arrears as at 31 <sup>st</sup> December	Estimated revenue	Billed revenue	2021 Collected revenue	Total arrears as at 31 <sup>st</sup> December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates and taxes	4,435,115	3,394,445	3,767,931	1,637,821	4,859,095	3,683,941	3,447,840	2,011,308
(ii) Rent	19,903,000	8,459,778	8,553,949	1,324,701	6,293,000	8,411,196	7,969,831	1,418,872
(iii) License Fees	1,175,100	1,161,658	760,358	1,430,700	1,185,100	1,053,250	811,550	1,029,400
(iv) Other Revenue	40,937,500	56,326,332	46,110,238	34,617,301	34,849,500	31,827,434	31,472,016	24,301,207
<b>Total</b>	<b>66,450,715</b>	<b>69,342,213</b>	<b>59,192,476</b>	<b>39,010,523</b>	<b>47,186,695</b>	<b>44,975,821</b>	<b>43,701,237</b>	<b>28,760,787</b>

### 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) The outstanding as on 31 <sup>st</sup> of December 2021 from all sources of revenue was Rs.28,760,787, while the deficit at the end of the year under review was Rs.39,010,523, the growth in deficit revenue was 36 percent.	That revenue collection activities are carried out according to a formal plan.	Actions should be taken to recover arrears.
(b) <b>Rates</b>  As on the last day of the year under review, the sum of outstanding assessment balance was Rs.1,398,646, of which the balance of assessment receivable for the period between 01 and 05 years was Rs.665,312 and the balance of assessment receivable exceeding 05 years was Rs.276,373.	The arrears will be collected.	The revenue should be collected timely.

**(c) Acreage tax**

As on the last day of the year under review, the acreage tax outstanding was Rs.101,624, of which the balance between 01 and 05 years was Rs.15,563 and the balance above 05 years was Rs.72,258.

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The arrears should be collected.

**(d) Rent**

As on the last day of the reviewed year, the stall rent outstanding balance was Rs.1,324,701, of which the balance between 01 and 05 years was Rs.523,355 and the balance above 05 years was Rs.170,996.

The stall rent will be collected.

The outstanding stall rent should be collected.

**(e) Three wheeler fees**

As on December 31<sup>st</sup> of the year under review, the outstanding three-wheeler fees balances was Rs.1,304,700, of which the balance less than 01 years was Rs.373,800, the balance between 01 and 05 years was Rs.843,800 and the balance more than 05 years was Rs.87,100.

Rs.16,200 has been collected from the three-wheeler fees outstanding and the remaining amount is being collected.

The outstanding revenue should be collected.

**(f) Court fines and stamp duty**

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31<sup>st</sup> of December 2022 were Rs.1,378,284 and stamp duty was Rs.33,004,000.

The courts fines and stamp duty will be collected.

Court fines and stamp duty should be collected.

### 3. Operational Review

#### 3.1 Performance of functions assigned by the Act

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 sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) Under Section 126 of the pradeshiya sabha Act, no.15 at 1987 by-laws should have been enacted to fulfill 30 main matters, but at the 31 <sup>st</sup> of December 2022, by-laws had been enacted only for 03 matters.	By-laws will be enacted based on the needs in future.	Should be followed the provisions of the Act.
(b) Water sample tests were not done in 08 water projects maintained by the pradeshiya sabha thus not enough attention was paid to the health of that area community.	That water sample testing has not been done in relation to project 03 and community organizations have been informed to test the samples.	Water samples should be tested and clean drinking water should be provided to the public.

#### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) It was observed that charging arrears of rent and taking legal action was also a problematic situation because 29 of stalls were leased without a contractual agreement belonging to the sabha in Kurunduwatta.	After finding the original owners, will be proceed to contract for these stalls.	Action should be taken for formal agreement.
(b) As at the last day of the year under reviewed the balance of the works debtors account was Rs.14,024,328, out of which balance that was overdue between 01 and 05 years was Rs.6,539,297 and the balance that was over 05 years was Rs.96,829.	The arrears of Rs. 3,184,952 will be collected.	Debtor balances should be collected.

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| (c) | As at the last day of the year under reviewed the balance of the 02 payable accounts were Rs.35,181,200, out of which balance that was overdue between 01 and 05 years was Rs.9,463,330 and the balance that was over 05 years was Rs.125,894. | The payable money will paid promptly.   | Payable accounts balances should be settled.                   |
| (d) | Although Rs.11,006,088 had been spent during the year under review for the construction of Asupini Ella Tourism Project and a part of the pradeshiya sabha building but it could not be used.  | The allocations have not been received and it was unable to complete the work of the project by spending 40 lakhs since it is a low income sabha. | Community needs should be fulfilled by completing the project. |

### 3.3 Assets Management

#### Audit Observation

#### Comments of the Sabha

#### Recommendation

##### (a) Non-register of assets

Regarding the 180 wells located in the territory were not surveyed.

Identifying of the wells located in the territory will be done in the future.

The assets should be identify.

##### (b) Non taken over assets

A jeep used by the sabha had not been taken over by the sabha.

The letters have been sent asking for transfer the ownership.

The assets should be taken over.

### 3.4 Transactions of Contentious Nature

#### Audit Observation

#### Comments of the Sabha

#### Recommendation

After the completion of works in Somerset Corona Treatment Centre of the pradeshiya sabha area on 25<sup>th</sup> of March 2022 followings were handed over in writing to the Chairman of the Ganga Ihala Korale pradeshiya sabha by the Secretary of Ganga Ihala Korale pradeshiya sabha, received as donations from various institutions to this centre. 297 beds and accessories, 301

All the items received in this hospital have been registered by the Divisional Secretary's Office and the Divisional Secretary has handed over all the items in writing to the Chairman of the sabha at the time of closing the hospital.

Documentation and issuing must be confirmed by the written.



plastic chairs, 23 wooden stools, 04 televisions and accessories, 03 washing machines, 08 dining tables, a generator as donations to this center. , 63 electric fans, 16 CCTV cameras, 07 water motors, 07 plastic water tanks, 07 water filters and a refrigerator. However, none of the equipment was registered and neither the presented institution that issued the equipment in the audit conducted on 03<sup>rd</sup> of March 2023 to physically inspected.

### 3.5 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
<b>(a) Development of the road near Mr. Indika's house in Jayamalapura 08th Lane Rs.541,377</b>		
(i) As per paragraph 03 of Ministry of Highways Circular No.SMRR/PL/01/Cir dated on 17 <sup>th</sup> of March 2021,While selecting projects, those with access to more by-roads and benefiting more families should be chosen. But it was observed that this road is not an accessible road to any other road and it is a road where only 04 beneficiary families reside.	This road is a public road and with the aim of the number of beneficiary families will be increased in the future, therefore this road was developed.	Roads should be constructed considering the priority.
(ii) Rs.10,000 had been billed for planting but no plants were planted on both sides of the road.	The plants related to this road are planted on the site of the Danish waste yard in Ulapane.	The work should be done according to the estimate.
<b>(b) Developing of the road from Malangamuwa to Galahena. – Rs.890,434</b>		
(i) Although the supervisor officers had recommended and paid for the construction of the road up to 106.9 meters and it was observed that during the physical inspection only 100.8 meters of concrete had been laid, and Rs.50,289 was paid over for 2.2 cubic meters of concrete without laying concrete to 06 meters.	If may have paid more 10 percent will be deducted from the deposited money.	The actions should be taken to officer who have recommended the payment.

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| (ii)   | Although Rs.20,000 was paid for planting by Rs. 10,000 and installation of name boards, but no such planting of plants or name board was installed.   | The plants related to this road are planted on the site of the Danish waste yard in Ulapane.                                       | The work should be done according to the estimate.            |
| <br>   |   |  |   |
| <b>(c) Construction of Shopping Complex of Ganga Ihala – Rs.74,612,900</b> |   |  |   |
| (i)  | Although the Land Reform Commission owns the land on which complex is being built, the construction continued without taking over the land.   | The land will be taken over after the matured of the fixed deposit.  | Constructions should be continued after taking over the land. |
| (ii)   | Due to a variation of 75 to 866 percent in 18 subjects of work between the rates of the BSR and the prices submitted by the contractor, the contract was awarded for an excess amount of Rs.5,326,627. The technical evaluation committee (TEC) has not paid attention to the prices quoted over the engineering estimate.  | The contract was awarded to the contractor on the consent of department prices.  | The evaluation committee recommendations should be followed.  |
| (iii)  | The contract of construction was signed on 07 <sup>th</sup> of February 2022 to complete the work within the period of 10 months, and although it was informed that the work should be completed on 14 <sup>th</sup> of November of the year under review, but the time was extended for another 03 months. Although that period ended on 14 <sup>th</sup> of February 2023, the construction had been completed only up to the foundation level of the building. | Due to fluctuating market prices of goods and lack of goods in the market, the contract unable to completed on the scheduled date. | Should be done according to the agreement.                    |

#### **4. Accountability and Good Governance**

##### **4.1 Sustainable Development Goals**

###### **Audit Observation**

Although 10 of sustainable development objectives and goals have been identified, but no money has been spent on 08 goals.

###### **Comments of the Sabha**

Will be achieved sustainable development goals.

###### **Recommendation**

Objectives and goals should be identified and implemented