

Kadwathsathara and Gangawata Korale pradeshiya sabha – 2022

1. Financial Statements

1.1 Qualified Opinion

udit of the financial statements of the kadwathsathara and Gangawata 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 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 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 Kandy kadwathsathara and Gangawata Korale pradeshiya sabha as at 31st 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

Audit Observation	Comments of the Sabha	Recommendation
As at the last day of the year under review, 28 cases related to the council had been implemented, but had not been disclosed in the financial statements.	That will be corrected in the next year	Should be disclosed regarding the cases in financial statements.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Rs.380,960 land belonging to pradeshiya sabha cemetery of Thannekumbura Gallewatta, unable to identified the value of 03 lands and buildings located in the sabha area and the Rs.100,000 land of located in Pichchamalwatta allocated for public works by a private company were not accounted.	That will be included in the financial statements of the year 2023	Land and buildings should be identified and accounted.
(b) Rs.1,560,529 spent for the construction of buildings in the previous year and the year under review had not been capitalized.	That will be included in the financial statements of the year 2023	Construction cost should be accounted.

- (c) A value of Rs.26,000,000 was stated in the accounts for 04 years under the creditor for the purchase of land for waste management, which has not yet received the approval of the Environment Authority. That will be corrected in the next year Accounts should be corrected.
- (d) In the year under review, rates income of Rs.210,350, court fines of Rs.628,022 and capital income of Rs.139,000 were not stated in the income and expenditure account. Adjustments will be made through the accounting notes in the next year. Income should be accounted.

1.6.3 Unreconciled Control Accounts or Records

Subject	Comments of the Sabha	Recommendation
(a) In comparing the balances of 03 asset subjects and one liability subject shown in the financial statements there was a mismatch of Rs.10,565,967 as per the related schedules and documents.	That will be included in the financial statements of the year 2023	Differences should be identified and account balances should be corrected.
(b) As on December 31 st of the year under review, as per the receivable assessment income account the balance was Rs.17,738,021 where as the value of assessment receivable as per the system software was Rs.18,765,312, there was a difference of Rs.1,027,291.	That will be included in the financial statements of the year 2023	Differences should be identified and account balances should be corrected.
(c) According to the board of survey reports as at 31 st of December of the reviewed year, although the book value of the 02 libraries owned by the pradeshiya sabha was Rs.4,584,107, according to the accounts it was Rs.4,310,027, which was a difference of Rs.273,080.	That will be included in the financial statements of the year 2023	Account balances should be corrected.

- (d) Urban Development Authority Investment Account Balance was Rs.11,625,544 and Urban Development Deposit Account Balance was Rs.14,067,336 and there was a difference of Rs.2,441,792. Will discuss with the Urban Development Authority regarding this change and correct it. Account balances should be corrected.

1.6.4 Unauthorized Transactions

Description of unauthorized transaction	Comments of the Sabha	Recommendation
07 employees were appointed on a daily basis without approval and were paid salaries of Rs.1,948,156 from January to October 2022.	The Assistant Commissioner of Local Government has referred to the Commissioner of Local Government for these recruitments and no approval has been given for the same. Therefore, this employee has been employed based on the existing service requirements of the institute.	Recruitment should be done on approval

1.6.5 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
It was unable to satisfactorily verified in the audit because of the schedule was not submitted to the audit relating to the debtor balance of Rs.2,367,728 shown in the financial statements.	This balance will be checked and the correct information will be submitted to the audit	Necessary documents must be maintained to confirm the account balances.

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 Non-compliance Laws, Rules Regulations etc.	Comments of the Sabha	Recommendation
(a)	Pradeshiya Sabha Act No.15 of 1987		
(i)	Section 127	Only 08 cemeteries owned by the pradeshiya sabha had been identified, and they had not been announced through a gazette and taken over.	That information relating to cemeteries owned by the pradeshiya sabha is included in the assets register and will be taken over after gazette should be take over the cemeteries owned by the pradeshiya sabha.
(ii)	Section 154(1)	Although the plans of the land called Pichchamalwatta were approved and the certificate of conformity was issued on 29 th of February 2022, but the income of Rs.2,864,983, which was 01 percent, was not received.	The related institution will be informed about this and the relevant amount will be charged. The provisions of the Act should be followed.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka FR 104(4)	During the period of 2017-2020, the damages of Rs.1,672,654 to 03 vehicles belonging to the pradeshiya sabha on 05 occasions were not dealt with according to the financial regulations.	It was submitted to the Local Government Department to get a final report, but since the relevant report has not been received so far it is not possible to carry out further work. Financial regulations should be followed.
(c)	Section 39 of the Local Government Organizations Standard By-law No.06 of 1952 No.520/07 dated 23 rd August 1988	In the year under review, Rs.260,400 was not collected from 50 advertisement board in 17 institutions for the advertisements displayed within the pradeshiya sabha area.	Letters will be sent to the relevant institutions to collect the arrears. Advertisement board should be surveyed annually and revenue collected.

- (d) Paragraph 02 (IV) During the year under review, After confirming departure Circular instructions of Public Rs.460,000 planning committee at 4.15 pm no signature is should be followed Administration allowances had been paid to 07 again placed on the finger print machine or office Circular officers without verification of print machine or office No.09/2009 dated arrival and departure by finger attendance register, the departure is entered in the 16th April 2009 print machine or attendance committee signature book and committee allowances are paid after certified the committee book.

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 31st December 2022 amounted to Rs.83,770,465 as compared with the excess of revenue over recurrent expenditure amounted to Rs.9,020,107 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 st December	Estimated revenue	Billed revenue	2021 Collected revenue	Total arrears as at 31 st December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates and taxes	27,214,820	26,089,341	26,922,888	17,753,093	27,198,656	26,369,005	22,267,926	18,586,640
(ii) Rent	1,117,932	2,124,463	2,181,263	--	696,332	855,600	2,056,988	56,800
(iii) License Fees	2,215,750	2,409,812	7,566,885	58,249	3,643,720	--	9,667,982	5,215,322
(iv) Other Revenue	128,011,372	112,908,692	127,782,436	141,781,336	79,367,000	17,385,087	122,521,595	156,655,080
Total	158,559,874	143,532,308	164,453,472	159,592,678	110,905,708	44,609,692	156,514,491	180,513,842

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
Rates and Taxes		
As on the last day of the year under review, the sum of outstanding assessment balance was Rs.17,738,021 in the assessment balance the outstanding of 477 property units exceeding Rs.5,000 was Rs.4,481,843.	Conducting mobile services to collect assessment arrears revenue and have earned more than 75 percent of annual billing revenue.	The provisions of the Act should be followed

2.2.3 Court fines and stamp duty

Audit Observation	Comments of the Sabha	Recommendation
Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 st of December 2022 were Rs.1,917,536 and stamp duty was Rs.119,305,596.	There is no shortage of court fines and that the relevant institutes have been informed to collect stamp duty.	Outstanding revenue should be collected.

2.3 Surcharges

Audit Observation	Comments of the Sabha	Recommendation
According to the provisions of the pradeshiya sabha act imposed a surcharge of Rs.262,608 against those responsible in the previous year and the money had not been recovered by the end of the year under review.	Although letters have been sent to the related members asking them to pay this amount and did not paid so far.	According to the provision of the act surcharge 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.

Audit Observation	Comments of the Sabha	Recommendation
(a) Under Section 126 of the pradeshiya sabha Act, by-laws should have been enacted to fulfil 28 main matters, but at the 31 st of December 2022 no any by-laws had been enacted.	By-laws have not been enacted on 31 st of December 2022.	Should be followed the provisions of the Act.
(b) The amount of garbage collected monthly in the pradeshiya sabha area is 144 tons and collected decomposable waste hand over to the Kundasale solid waste center and the non-decomposable waste hand over to the Akurana pradeshiya sabha using the sabha tractors and employers. But sabha was not focused on organic fertilizer production and income generation.	The reason is no land to produce the organic fertilizer.	Requirements must be completed.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the Pradeshiya Sabha (Finance and Administration) Rule 178 of 1988, 05 stalls on the Peradeniya-Colombo road had been continuously leased to the same persons for more than 40 years without tendering. Also, the holders had also made unauthorized constructions behind the stalls.	The stalls holders have complained in the tendering process as per the new assessment obtained for the year 2023. Accordingly, monthly rent will be collected from the stalls according to the new assessment till 31 st of December 2023 until the complaint is investigated.	Stalls should be allocated following tender process and legal action should be taken against unauthorized constructions.
(b) The total of 03 accounts receivable balances on 31 st of December 2022 was Rs.20,548,004. Out of that the total balance related to a period between 01 and 05 years was Rs.3,643,032 and the balance that exceeded 05 years period was Rs.16,727,747.	Further work will do regarding these balances and will report to the audit	Debtor balances should be collected.

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| (c) | As at the last day of the year underreviewed the balance of the 02 payable accounts were Rs.82,626,910, out of that total balance between 01 and 05 years was Rs.50,051,100 and the balance that was over 05 years was Rs.5,539,639. | Further work will do regarding these balances and will report to the audit | Payable accounts balances should be settled. |
| (d) | 57 uncontract projects between 2019 and 2021 of Rs.13,915,000 were continuously listed as creditors in the financial statements. | Unable to fulfilled due to increasing raw material prices and shortage of cement. | Creditors must be created for works contracted or committed . |

3.3 Operation Inefficiencies

- | Audit Observation | Comments of the Sabha | Recommendation |
|---|---|---|
| (a) According to the 22 of the Urban Development Authority Act No.41 of 1978 that suitable places should be set aside for community and recreational purposes but 37.3 perches of plot No. 41 and 37.9 perches of Plot No. 42, which cannot be used for public purposes in Pichchamalwatta sub-division land did not take over by the pradeshiya sabha. | The matters will be investigated and reported to the audit. | Suitable land should be allocated according to the provisions of the act. |
| (b) 1456 building applications were received in the last 5 years out of which 1,200 development permits were approved. 1052 certificate of conformity were not issued and follow-up was not done on the applications that were not approved. | Due to the covid epidemic and the economic situation in the country, many people have applied for an extension of more than 03 years, since 03 years have not yet passed from years 2021 and 2022 the necessary awareness has been made for that. | Certificate of conformity should be issued and follow-up should be done |

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) 10 lands of Rs.27,587,123 used by the sabha and 05 lands whose value has not been calculated were not taken over.	The survey work has been completed by now and information will be submitted for audit after value will be confirmed.	The lands should be take over.
(b) The total of Rs.1,462,251 valued a compactor trailer and 171 units of water equipment remained idle and under-utilized for a period of 05 years.	That the compactor trailer is disabled and the water equipment is being reissued for auction.	Vehicles that can be repaired must be repaired and other vehicles must be disposed.
(c) 09 plots of land with a value of Rs.20,903,251 taken for public purposes from the land auctions held in the pradeshiya sabha area and 14 plots of land with a total area of 06 acres, 03 roods and 32 perches 05 plots of land whose value has not been calculated remained unused.	That will be used for public requirements in the future.	The lands should be utilized for public works.

3.5 Procurement Management

Audit Observation	Comments of the Sabha	Recommendation
On 11 th of July of the year under review, 600 of 20 watt orange fluorescent (LED) lights were purchased at a cost of Rs.1,132,000 for Rs.1,970 each. During the examination of the file related to the purchased electrical equipment, there was no evidence that the prices were called, and the purchases were made without a report from the Procurement and Technical Committee. A loss of Rs.402,000 had been incurred to the pradeshiya sabha fund by obtaining abnormal prices according to the prices obtained on 27 th of April 2023 from the company that purchased the above lights by the audit, it was observed that the price of a 20 watt fluorescent (LED) bulb with a warranty of 02 years is Rs.1,650. In that way on 23 rd of March 2023 a total of Rs.1,200,000 was spent and 600 lights were purchased for Rs.2,000 each.\	That procurement committee and technical committee reports are obtained while making purchases	This should be checked and reported to the audit.

3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Comparing the approved carder and actual carder of the council there were 03 vacant posts and 12 excess posts.	This excess was 12 Development Officers have been assigned to this office and the related institute have been informed about the surplus and vacancies.	Vacancies must be filled and posts should be approved.
(b) As on 31 st of December of the year under review, employee loans amounting to Rs.1,927,922 had not been collected from 31 transferred, retired and officers who left the service.	The related institute have been informed about the loan balances of the transferred officers and the loan balances have not been settled so far.	Employee loans should be collected.
(c) An amount of Rs.448,071 was kept in the general deposit account which was classified as payment to the employee provident fund and employee trust fund of 07 employees who were appointed on a daily basis without approving the posts.	As these employees have not been approved for recruitment, it is not possible to collect the contributions as per the employee provident fund act.	Should be resolved promptly. Public Service Provident Fund membership should be given to the Casual and temporary employees.