

Udawalatha pradeshiya sabha – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Udawalatha 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 Udawalatha 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 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 Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The provision for audit fees has not been made in the accounts relating to the year under review.	Will be corrected by the account in 2023.	Provision for expenses should be made in the accounts.
(b) 03 plots of land worth Rs.8,081,293 received for public works were not accounted.	-Do-	The lands should be accounted.
(c) It was accounted as an expense in the year under review in writing off Rs.648,097 arrears of stall rent related to the previous year.	-Do-	The expenses of the year should be accounted correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.2,084,962 in comparison with the balances stated in the basic note books of 02 assets subjects and one liability subject stated in the financial statements.	Will be corrected by the account in 2023.	Differences should be identified and account balances should be corrected.

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
Section 127 of the Pradeshiya sabha act no 15 in 1987	60 cemeteries located within the pradeshiya sabha area had not been handed over to the pradeshiya sabha.	That requests have been submitted to the Divisional Secretary for taking over the rights.	Provisions of the Act 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 31st December 2022 amounted to Rs.27,371,185 as compared with the excess of revenue over recurrent expenditure amounted to Rs.33,000,479 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	2022				2021			
	Estimated revenue (Rs)	Billed revenue (Rs)	Collected revenue (Rs)	Total arrears as at 31 st December (Rs)	Estimated revenue (Rs)	Billed revenue (Rs)	Collected revenue (Rs)	Total arrears as at 31 st December (Rs)
(i) Rates and taxes	2,399,000	5,748,890	6,482,593	4,821,859	5,569,400	5,615,196	5,105,014	5,555,561
(ii) Rent	6,175,300	4,430,270	4,050,709	2,939,915	6,182,220	4,036,571	3,228,425	2,560,354
(iii) License Fees	6,142,590	3,435,980	3,549,880	4,188,200	6,175,000	5,011,504	2,901,854	4,302,100
(iv) Other Revenue	41,340,000	35,216,269	55,522,773	31,417,081	9,409,200	7,464,360	5,268,924	51,723,585
Total	56,056,890	48,831,409	69,605,955	43,367,055	27,335,820	22,127,631	16,504,217	64,141,600

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the pradeshia sabha are given below.

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Rates</p> <p>As on the last day of the year under review, there was outstanding of Rs.1,663,740 and out of which the balance due from 67 property units exceeding Rs.5,000 was Rs.579,897.</p>	<p>That mobile programs and awareness programs are implemented to collect arrears.</p>	<p>Outstanding revenue should be collected.</p>
<p>(b) Acreage tax</p> <p>As on the last day of the year under review, there was outstanding of Rs.119,125 and out of which the balance due from 67 property units exceeding Rs.3,000 of Rs.30,706 had not been collected.</p>	<p>That the actions will be taken to collect the arrears.</p>	<p>-Do-</p>
<p>(c) Water Charges</p> <p>As on the last day of the year under review, there was outstanding of Rs.3,038,804 and Out of which there was a balance of Rs.778,449 between 01 and 05 years and also a balance of Rs.1,222,999 was not collected from 169 water consumers whose outstanding balance was more than Rs.5,000.</p>	<p>-Do-</p>	<p>-Do-</p>
<p>(d) Rent</p> <p>As on the last day of the year under review, there was a outstanding of Rs.2,676,454 and Out of that outstanding balance, the outstanding balance between 01 and 05 years was Rs.1,003,860, and the outstanding balance for more than 05 years was Rs.1,137,237.</p>	<p>That the outstanding is being recovered and a outstanding of Rs.383,058 unable to recovered.</p>	<p>The action should be taken to collect the stall rent according to the agreements.</p>

(e) Three wheeler license fees

As on 31st of December of the year under review there was a outstanding balance of Rs.1,245,500 and out of that outstanding a balance of Rs.312,000 which exceeded Rs.5,000 from 52 three-wheelers, had not been collected.

No comments

Actions should be taken to collect the revenue according to the by-laws.

(f) Advertisement Board Fees

As on the last day of the year under review, advertisement boards income of Rs.4,825,190 had not been collected, and the uncollected balance between 01 and 05 years was Rs.2,942,700.

Reminder letters and cases have been filed against 09 non-paying institutions for collection of arrears and legal actions are being taken for collection.

The outstanding revenue should be collected according to the by-laws.

2.2.3 Court fines and stamp duty**Audit Observation**

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31st of December 2022 were Rs.10,773,010.

Comments of the Sabha

The Chief Secretary office have been referred regarding the outstanding court fines.

Recommendation

Court fines and stamp duty should be collected timely.

3. Operational Review**3.1 Management Inefficiencies****Audit Observation**

- (a) Due to the existence of a court case for 14 stall in Pussellawa New market complex which was built in the year 2016 at a cost of 45 million rupees, the pradeshiya sabha had to pay a court fee of Rs.171,000 when September 2022, and in addition to that 14 stall were ideal and unable to rent from the beginning.

Comments of the Sabha

The legal fees of Rs.171,000 had to paid.

Recommendation

The issues should be resolved and arrangements should be made to rent the stalls.

- (b) The Ministry had allocated Rs.1,000,000 for the construction of the Pussellawa Kalugalawatta Cultural Center in the year 2008. On this allocations the contractor society had spent Rs.956,809. Due to the non-payment of this contract value, the

It is expected to recover the amount which the pradeshiya sabha has spent as court fees of Rs.79,810 and the contract value of Rs.956,809 after receiving the judgment.

Case decisions should be followed. Losses should be recovered.

society had filed a lawsuit and the contractor had to pay Rs.956,809 according to the judgment dated on 24th of March 2023. This amount was not reimbursed by the relevant ministry and the council fund had incurred a loss of Rs.1,036,619 due to having to pay court fees of Rs.79,810.

- (c) 05 plots of land sub-divided by a real estate agency the total of 195 perches at Deltawatta had not been handed over to the pradeshiya sabha for public purposes. That the Prime Lands Company will carry out the necessary activities to transfer the plots allocated to the pradeshiya sabha by Bim Saviya certificate and will carry out the necessary activities to obtain the relevant certificate. Deeds should be obtained for the land reserved for public purposes.
- (d) The sum of 02 receivable accounts balances as on 31st of December of the year under review was Rs.3,665,824, out of which the sum of the account balances that exceeded between 01 and 05 years was Rs.1,279,657 and the balances that exceeded 05 years were Rs.614,835 had not been collected. An amount of Rs.228,405 is arrears from government house rent. That the debtor's balance exceeding 05 years will be collected after obtaining the court decision, and letters have been send to collect the amount of Rs.1,746,785. The receivable balances should be recovered.
- (e) The sum of works payable accounts balances as on 31st of December of the year under review was Rs.7,136,457, out of which the sum of the account balances that exceeded between 01 and 05 years was Rs.1,055,585 and the balances that exceeded 05 years were Rs.532,871 had not been settled. That the balance which is more than 05 years will be dealt with after the lawsuit is over. Payable balances should be settled.
- (f) A person had constructed 02 parts of permanent buildings on a plot of 24.07 perches without permission in a land of 03 acres 5.91 perches allotted to the pradeshiya sabha for public purposes, and a block stone wall had been constructed on a plot of 8.99 perches and had been connected to his private land. Another person had constructed a permanent building and a temporary hut on a plot of 01 Rood and 9.94 perches and cultivated tea there. The land Reminders and final notices have been sent to remove the unauthorized constructions immediately and the General Assembly has obtained approval to take legal action under the Government Land Acquisition Act. Squatters should be removed and property should be protected.

belonging to the pradeshiya sabha had been allowed to be acquired by an outside party without permission, and the relevant land had not been used for public purposes.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
Worth of Rs.920,000 a tractor and a motorcycle remained idle since 2017 and 2020, but had not been repaired or auctioned at the end of the year under review.	That necessary actions are being made to repair the tractor owned by the council and to take over the motorcycle to the pradeshiya sabha.	Action should be taken to repair and use.

3.3 Procurement Management

Audit Observation	Comments of the Sabha	Recommendation
Although bids were invited from 04 registered agencies of the Provincial Council for the purchase of a CCTV camera system for the Doluwa Public Library, a CCTV camera system was purchased from a company for Rs.440,500 did not call for bids on 02 nd of March 2022. Without regard to it, they acted outside the pradeshiya sabha (Finance and Administration) Rule 178(09) of 1988 also.	Although it was carried out using the provisions of the year 2021, no quotation was received to the council, and although the quotation was called again the council did not receive any quotation. Due to the market crisis and as equipment shortage, a firm has been handed over the quotation capable of installing the cameras. That it was not possible to call for quotations in writing.	Pradeshiya sabha rules should be followed.

3.4 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
Development of Chapley School Road Bridge - Rs.1,000,000 overpayment of Rs.156,634 had been made for the uncompleted parts of 03 construction object code and related transport charges.	A written inquiry was made to the technical officer who supervised the works, regarding the payment of Rs.156,634 for the work not done and due to the did not receive the reply, the instructions of the Assistant Commissioner of Local Government have been requested to collect the payment for the work not done.	Actions should be taken to recover losses and take disciplinary action.

3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Employees vacancies and excess		
There were 29 vacancies in 12 positions and 16 excess in one position at the end of the year under review.	That there have been 16 excess in the post of Development Officer in the recruitment of trainee graduates and 16 employees have been recruited on daily basis and 02 officers on contract basis for 29 vacant posts.	Action should be taken to filled the vacancies.
(b) Employee Loans		
An outstanding loan balance of Rs.77,883 due from 10 employees in relation to the period from 1990 to 2014, and the loan balance of Rs.273,110 due from two employees who died last year were not collected.	There are problems in recovering the loan balances due to unable to found their personal details and guarantor's details in the case of 10 officers.	Outstanding employee loan balances should be collected.