

Ududumbara Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ududumbara Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, for the year then ended and notes to the financial statements including material accounting policy 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 sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and National Audit Act No. 19 of 2018. 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 Ududumbara Pradeshiya Sabha as at 31 December 2023, 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 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 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 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 includes 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 as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018

1.6 Financial Statements

1.6.1 Accounting Policies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Fixed assets which had been purchased during the year under review had been under accounted by Rs.322,930	It will be corrected in the future.	It should be correctly accounted for.
(b)	In the year under review, wholesale purchases were under-accounted by Rs.95,390.	It will be corrected in the future.	It should be correctly accounted for.
(c)	Even though, the outstanding balances of 23 projects amounting to Rs.1,287,242 have been settled during the period from 2017 to 2021, further under debtors and the value of 82 projects whose payments were settled of Rs.1,969,797 under creditors had been accounted.	-Do-	-Do-
(d)	When the projects to develop the Hapukanda East Arambelinda and the entrance road, which were proposed to be completed in the year 2019 with a debtor of Rs.100,000, had not been completed, were still accounted for under debtors and creditors at the end of the year under review.	It will be settled in the future	It should be correctly accounted for.

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| (e) | 03 projects totaling Rs.300,000, which were not contracted during the year under review, had been accounted under creditors. | It will be correctly accounted for. | It should be correctly accounted for. |
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1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.1,407,454 Since the balance of library books was Rs.3,594,222 as per the financial statements at the end of the year under review but as per the accession register it was Rs.2,186,768	It will be corrected in the future	The difference should be recognized and accounted for.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with Laws, Rules, Regulations and Management Decisions . are as follows

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Rules 218 of the Local Authorities (Finance and Administration), 1988	A survey of the land and buildings owned by the Sabha was not conducted.	A survey will be conducted in the future	The provisions of the Act should be followed.
(b) 12(1) a, of the Housing and Urban Development Ordinance	During the period from 2021 to the end of the year under review, 57 buildings had been constructed without obtaining a development permit, but no action had been taken by the Sabha.	Action will be taken against informal constructions	The provisions of the Act should be followed.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			

(i)	F.R. 104(3) and 104(4)	Of the 02 vehicles that were involved in an accident between 2018 and 2020, although the FR investigation of one vehicle had been completed, the recommendations had not been implemented, and the investigation of the other vehicle had not been completed by the end of the year under review.	F.R. investigations will be conducted and further action will be taken.	Financial regulations should be followed.
(ii)	F.R. 371 (c)	Advances of Rs. 60,810, which were received on 04 occasions, during the period from 2018 to the year under review, were not settled.	The relevant officials will be informed.	It should be complied with financial regulations
(iii)	F.R. 571(3)	Various lapsed deposits of Rs.64,020 related to 09 cases had not been settled.	Action will be taken to settle.	It should be complied with financial regulations
(d)	Central Province, Stamp Duty Revision Ordinance No. 02 of 1993	Although it was shown that the stamp duty income exceeding 02 years cannot be provided, the stamp duty income of Rs.1,571,880 from 2012 to 2018 was not settled.	It will be settled in the future	Stamp duty should be collected within the stipulated time.

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 2023 amounted to Rs. 4,255,725 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 2,960,443 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 Secretary relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Taxes	1,960,500	1,171,997	1,136,564	668,017	2,937,400	1,842,187	1,519,550	632,584
(ii) Rent	3,066,400	3,237,963	3,384,795	3,157,776	3,729,600	3,178,932	1,145,828	3,804,608
(iii) License Fees	722,650	614,100	603,350	121,750	870,000	750,522	664,022	111,000
(iv) Other revenue	42,583,400	43,351,616	40,914,621	8,717,629	8,044,500	44,709,086	38,633,715	6,275,634
	<u>48,332,950</u>	<u>48,375,676</u>	<u>46,039,330</u>	<u>12,665,172</u>	<u>15,581,500</u>	<u>50,480,727</u>	<u>41,963,115</u>	<u>10,823,826</u>

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		
(i) At the end of the year under review, the outstanding assessment balance was Rs.493,636, and the total of 06 properties where assessment arrears exceeded Rs.10,000 per unit was Rs.112,063.	The arrears will be recovered in the future	Revenue should be collected as per the provisions and rules of the Act.
(ii) As of the last day of the reviewed year, the acreage tax arrears due from the year 2005 amounting to Rs.140,230 had not been collected.	The relevant parties had been informed.	Outstanding balances should be recovered.
(b) Stall Rent		
When the implementation of the new assessment report obtained on May 22, 2018 for 14 stalls in the public trade complex In 2019, 06 stalls had defaulted to pay the assessment and had arranged to file a case in the year 2020. As of the year under review, these stalls were open and there was outstanding stall rent balance of Rs.3,051,905 in respect of these 06 stalls.	The interim injunction order has been issued.	Necessary action should be taken as per case decisions.

(c) **Court Fine and Stamp Fees**

Court fines amounting to Rs.807,922 and stamp duty amounting to Rs.6,839,780 were due from the Chief Secretary of the Provincial Council and other authorities as of December 31 of the year under review.

The requests have been made to collect the arrears.

Court fines and stamp duty should be collected.

3. Operational Review

3.1 Fulfillment 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

According to the water sample test reports conducted in the Ududumbara water project belonging to the Sabha in the year under review, when the coliform bacteria were at very high levels, the contaminated water which is unsuitable for drinking was distributed to the public without any concern about it.

Comments of the Sabha

The necessary action will be taken

Recommendation

Relevant tests should be done and clean drinking water should be distributed.

3.2 Management Inefficiencies

Audit Observation

(a) The sum of 05 accounts receivable balances as on December 31 of the year under review was Rs.7,495,432, out of which the sum of account balances between 1 and 5 years of Rs.4,219,014 and the sum for more than 5 years of Rs.241,510 had not been recovered.

Comments of the Sabha

It will be recovered in the future.

Recommendation

Receivable Balances should be charged.

(b) As of December 31 of the year under review, the total of 02 accounts payable balances was Rs.9,413,275, and according to the time analysis presented, the total of account balances related to the period between 1 and 5 years of Rs.5,398,307, had not been settled.

It will be settled in the future

Creditor balances should be settled.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
(a) 03 vehicles and 02 machines totaling Rs.3,298,644 remained idle and underutilized from 03 to 08 years.	Action will be taken to Repair and dispose of	It should be repaired or disposed of.
(b) From the year 2022 till the end of the year under review, no action had been taken to implement the weekly fair which was running in the Sabha area of authority.	Action will be taken to restart.	Public services should be maintained and focus should be given to collect revenue.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
Ownership of the land with a total of Rs.8,920,646 where 22 community halls located, and land with a total of Rs.675,000 where “Ambalan” located had not been taken over.	Ownership will be taken over.	Ownership should be taken over.

3.5 Delays in Project Activities or Capital work

Audit Observation	Comments of the Management	Recommendation
According to the annual budget, Rs.393,338,231 had been allocated for 647 development projects from 2019 to the reviewed year without due care, but Rs.9,872,712 had been spent therein and only 08 projects had been completed.	They could not be fulfilled due to the Corona epidemic	Planned development works should be carried out.

3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Comparing the approved staff with the actual staff, there were 14 vacancies in 09 posts.	The vacant position to be recruited has been discontinued.	Vacancies should be filled.

4. Accountability and Good Governance Sustainable Development Goal

Audit Observation	Comments of the Sabha	Recommendation
According to the provisions of the Sustainable Development Act No. 19 of 2017, the Sabha had identified sustainable development objectives and targets but had not work to achieve them.	Action will be taken to achieve the objectives and goals in the future.	Objectives and targets should be identified and implemented.