

Udapalatha pradeshiya sabha -2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Udapalatha pradeshiya sabha including the financial statements for the year ended 31st December 2023 comprising with the Balance sheet as at 31st December 2023, Income and Expenditure account, 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 and with the provisions of the National Audit Act No.19 of 2018 read in conjunction with sub section 172(1) the 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 Udapalatha pradeshiya sabha as at 31st 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 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) An amount of Rs.6,012,873 incurred for construction and development of buildings had not been capitalized during the year under review.	That the correction will be made in preparing the accounts for the year 2024.	Construction of buildings should be capitalized.
(b) A tractor trailer of Rs.146,990 belonging to the sabha was accounted as Rs.44,000 and the motor vehicles and cart account had been understated by Rs.102,990.	That the less accounting will be corrected.	The assets should be accounted correctly.
(c) Although the fixed deposit interest receivable should be shown under current assets, the fixed deposit interest receivable Rs.985,990 related to 02 fixed deposits in the reviewed year was added to those fixed deposits and shown under investments.	That non-accrued of receivable fixed deposits interest will be corrected.	The receivable interest should be accounted correctly.

- (d) Although the fixed deposit interest income of the reviewed year was Rs.21,375,767 and accounting it as Rs.21,141,042, the income of the year had been understated by Rs.234,725. The corrections will be done in next year. Income should be accounted correctly.

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
(a) The Pradeshiya sabha act no 15 in 1987 Section 127	The actions had not been taken to ownership of the 65 cemeteries used by the sabha.	That the activities related to taking over are being carried out.	Provisions of the Act should be followed.
(b) The (Financial and Administrative) Rules of pradeshiya sabha in 1988 No 59 and 60	The survey of trade license had not been conducted for the year under review.	The license survey will be conducted in year 2024.	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 2023 amounted to Rs.36,277,350 as compared with the excess of revenue over recurrent expenditure amounted to Rs.27,371,185 in the preceding year.

2.2 Revenue Administration

2.2. Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the secretary 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	2023				2022			Total arrears as at 31 st December
	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	Collected revenue	
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates income	2,345,375	2,858,268	3,533,730	3,418,956	2,399,000	5,748,890	6,482,593	4,094,418
(ii) Rent income	6,736,550	4,326,739	4,423,730	2,839,048	6,175,300	4,430,270	4,050,709	2,936,039
(iii) License Fees	1,505,500	1,241,481	1,241,481	--	6,142,590	3,435,980	3,549,880	--
(iv) Other Revenue	51,653,340	56,176,787	79,988,981	44,361,338	41,340,000	35,216,269	55,522,773	68,173,532
Total	62,240,765	64,603,275	89,187,922	50,619,342	56,056,890	48,831,409	69,605,955	75,203,989

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) As on the last day of the year under review a balance of Rs.419,545 had not been recovered from 43 properties where the outstanding per unit exceeded Rs.5,000 and had not been taken to action regarding with this according to the section 158(1) of the pradeshiya sabha Act No.15 of 1987.	Actions have been taken to implement mobile programs for collection of arrears of rates and arrears notice letters have been forwarded.	The outstanding rates should be collected.

- | | | | |
|--|---|---|--|
| (ii) | The actions have not been taken to collect the outstanding water charges of Rs.803,614 from 70 water consumers of 09 inactive water schemes belonging to the pradeshiya sabha since the year 2013. | That necessary actions are being taken to write off from the book. | The action should be taken to collect the outstanding income. |
| (b) Rent | | | |
| (i) | The amount of Rs.397,707 had not been collected from the stalls in Pussellawa belonging to the sabha from the year 2012. | That the necessary information is being prepared to carry out the work of writing off from the books. | The stall rent should be collected. |
| (b) | The arrears of rent of Rs.2,030,454 had not been collected from 10 temporary stalls located in Pussellawa belonging to the sabbha from the year 2014. | That notices have been sent in writing to arrange for the payment of arrears. | The stall rent should be collected timely. |
| (iii) | There was an outstanding amount of Rs.65,065 between the years 05 and 01 from 02 stalls located on the ground floor of Doluwa fair, and from 10 stalls where annual tenders were given at upper floor of Doluwa Market and fair. | That letters have been forwarded to collection of arrears. | The action should be taken to collect the outstanding rent. |
| (c) Advertisement board charges | | | |
| | Rs.2,327,720 from 68 advertisement boards of 09 institutions had not been charged for more than 02 years. | That Rs.606,913 has been collected from the deficit. | The arrears income should be charged. |
| (d) Three wheeler license fees | | | |
| | According to the provisions of the by-laws regarding the parking of taxi vehicles published in the extra ordinary gazette No. 2196/50 on 09 October 2020, an amount of Rs.1,291,000 had not been charged for the parking of three-wheelers within the sabha area. | That Rs.97,200 has been collected from the deficit. | Three-wheeler parks should be regularized and action should be taken to collect revenue. |

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) According to Sections 79 to 84 of the Pradeshiya Sabha Act, although the sabha should carry out works related to the construction and repair of public drains within the sabha area but during the year under review, the sabha had not carried out any development work related to drainage.	This situation is arise because of priority given to road construction.	The provisions of the act should be followed.
(b) According to Sections 93 to 95 of the Pradeshiya Sabha Act No.15 of 1987, transportation of excrement and waste treatment is to be done by the pradeshiya sabha, but the attention of the sabha had not been focused on procuring a gully and starting a sewage treatment unit.	That a proposal to buy a gully bowser has been submitted to the committee.	The provisions of the act should be followed.
(c) As per Section 119 of the Pradeshiya Sabha Act dated 15 of 1987 the Sabha had not conducted a weekly fair.	That the actions will be taken to conduct a weekly fair in future.	The functions specified in the Act should be performed.

- | | | | |
|-----|--|--|--|
| (d) | In the year under review, 257 metric tons of biodegradable waste was collected in the sabha area and the sabha did not resort to producing organic fertilizer or any other formal waste management system and an amount of Rs.307,872 was paid to the Kundasale Pradeshiya sabha to deliver the biodegradable waste to the organic fertilizer production center at Aluwattha Kundasale.. | That the actions have been taken to minimized the disposal of garbage. | The formal garbage disposal method should be followed. |
|-----|--|--|--|

3.2 Uneconomic transactions

Audit Observation	Comments of the Sabha	Recommendation	
(a)	Rs.120,000 was paid in the year 2019 for two members to participate in the Diploma in Local Governance organized by the Sri Lanka Institute of Local Governance, but the two members did not complete the course. An amount of Rs.75,000 was not collected from the amount paid by the sabha for this purpose.	That the arrears will be collected	That money should be collected.
(b)	No one was residing in the secretary's quarters at Pussellawa in the year under review and due to water bills of Rs.37,999 had been settled from March to October 2023 the house in question had been misused.	That the necessary actions have been taken to rent out the relevant house.	The security of the assets should be confirmed.

3.3 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation	
(a)	Due to 14 former tenants impose law case for 14 stalls in Pussellawa New Public Market, which was built at a cost of 45	That the facts will be reported to the honorable court and actions will be	The action should be taken to collect the arrears.

million rupees in the year 2013 and those stalls were remained idle. There was no information in the sabha that the former tenants formally entered into a contract with the sabha, and it was observed that 06 tenants have resigned from the case and are working to enter into a contract with the sabha. According to that a non-lessee party has taken legal action and had to spend Rs.236,000 as court fees for this.

- | | | | |
|-----|--|--|--|
| (b) | The stall numbered C-04 of Pussellawa Public Market was rent for a long term for an amount of Rs.2,000,000 in the year 2013 and by the last day of the year under reviewed, Rs.860,000 of the tender amount had not been collected. | That the noticed to pay the arrears amount. | The arrears should be collected. |
| (c) | 13 stalls located on the ground floor of Doluwa fair had been rent without tendering an amount of Rs.500 per month for more than 05 years. | That written requests have been submitted to the valuation Department. | The stalls should be valued and collect rent. |
| (d) | For the construction of the Pussellawa Kalugalawatta Cultural Center in the year 2008, the contractor had completed the construction at a work done value of Rs.956,809 on the allocation of the Ministry of Youth Development and Social and Economic Development. Due to the non-payment of the contract value related to that the contractor had filed a law case and according to the judgment dated on 24 th March 2023, the sabha was ordered to pay compensation amounting to Rs.2,519,240 to the contractor and of which Rs.1,007,696 had been paid. The loss to the sabha had not been charged from the responsible parties. | Further action will be taken based on the relevant investigations. | The actions should be taken to collect the loss from responsible officers. |

- | | | | |
|-----|--|---|--|
| (e) | An industry debtor balance of Rs.956,809 which was over 05 years had not been collected as on the last day of the year under review. | That further work will be done as per the inquiry FR 104(3) | The receivable balances should be collected. |
| (f) | The industrial creditor balance as on the last day of the year under review was Rs.7,611,809, out of which Rs.956,809 had not been collected which was more than 05 years. | That further work will be done as per the inquiry FR 104(3) | The payable balances should be settled. |

3.4 Operation Inefficiencies

Audit Observation

In the years 2022 and 2023 that 18 applications were not approved among the building development applications submitted for approval. No follow-up was done on applications that were not approved.

Comments of the Sabha

That 10 applications have been approved out of the submitted applications.

Recommendation

Follow up should be done on unapproved constructions.

3.5 Idle or underutilized Property, Plant and Equipment

Audit Observation

- (a) 02 quarters worth Rs.4,450,000 belonging to the sabha and 02 quarters whose value cannot be ascertained remained idle for between 02 and 19 years.
- (b) In the year 2021 which were purchased without considering the need 156 sets of street lights Rs.85,488 were kept unused in the stores.

Comments of the Sabha

- That being Ideal
- That has been used for renovation work and installation of new street lights.

Recommendation

- The quarters should be used.
- The purchasing should be done according to the needs.

3.6 Procurement Management

Audit Observation

The quotations were invited from 05 companies to buy a chlorinator for the Wattahena water project on 09 June 2023, out of which only one company had submitted the quotation. A chlorinator with a value of Rs.289,800 was purchased based on a price obtained from one company through e-mail, although the prices should be re-quoted as those prices are not in accordance with the specifications.

Comments of the Sabha

Due to the urgent need, the same procurement decision related to the purchase of the chlorinator for the Puranunguma project of the Chief Secretariat to the Wilgamuwa region was implemented and the same chlorinator machine that was purchased at the lowest price was purchased.

Recommendation

Procurement should be done with transparency.

3.7 Defects in Contract Administration

Audit Observation

- (a) Although the Highway Schedule Rates (HSR) of the reviewed year (first 06 months of 2023) should be used for the construction projects in the reviewed year. There was a loss of Rs.621,240 to the pradeshiya sabha fund due to making estimates and making payments based on Highway Schedule Rates (HSR) in the last quarter of 2022 for 29 road, drain and culvert construction projects without formal supervision and accountability.

- (b) Development of Yatipiyangala Nayapana road. Rs.2,169,601

According to the bills presented in the road development project, Rs.151,263 was paid for 216.04

Comments of the Sabha

That the technical officers have not received the price analysis related to 2023 till March 2023.

When the money paid for the work retained money will be received into the sabha fund for

Recommendation

Officials involved in non-use of Highway Schedule Rates (HSR) during project execution should be identified and action should be taken.

Officials who recommended payment for unfulfilled work

cubic meters for filling and leveling the road surface with quarry dust for all the 04 phases under subject No.01, but during the physical inspection of the road at 05 places, quarry dust or ABC was not found. Rs.151,263 had been paid for unfulfilled works as it had not been laid. Also, under the subject number 02, 03, 04 of the estimate, for phases 01, 02, 03 and 04, 50 mm and 19 mm stone thickness is estimated to be crushed to a size of 0.075 meters and it is estimated per 71.28 cubic meters and a sum had been paid. Rs.724,363. In the physical inspection conducted at 05 places on this road, the thickness of the layer of this road was 0.050 meters, and the work was not done as per the estimate, and Rs.241,454 had been overpaid.

the unfulfilled work and the remaining money will be released. should be identified and action should be taken to charge them

- (c) Concreting the remaining part from near the house of Mr. DM.Athula Medagedara Mahara Orwell section - Rs.543,446

During the physical inspection of this road, it was observed that the last part of the road was 12.6 meters long, 3.01 meters wide and 0.125 meters thick, and the amount of Rs.158,427 was paid for a weak concrete mix for a quantity of 4.748 cubic meters.

As the Technical officer who supervised the industry is retired and the construction will be inspected and reported with her.

Officials who did not check the construction to the required standard should be identified and action should be taken.

- (d) Construction of public toilet in Pupuressa Town- Rs.2,000,000

<p>On examination of the project file, as per Chapter 05 of the Procurement Guidelines 5.4.4, advance payment up to a maximum of 20 percent of the contract value may be paid on acceptable advance bond but without following the instructions, 50 percent of the contract value on 06 November 2023 an amount of Rs.1,000,000 had been paid as advance.</p>	<p>That advance payments of more than 20 percent will not be paid in future.</p>	<p>The provisions of the Procurement Guideline should be followed.</p>
---	--	--

3.8 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) Employees vacancies and excess</p> <p>There were 22 vacancies in 06 positions and 10 excess in one position of the approved carder and the actual carder.</p>	<p>That it has not been recruit employees for primary level vacancies.</p>	<p>Action should be taken to fulfilled the vacancies.</p>
<p>(b) Employee Loans</p> <p>A debt balance of Rs.319,424 was not collected from 05 suspended and deceased employees as on 31 December of the year under review.</p>	<p>To recover pension debt from persons who can collect pension and that legal action will be taken against one.</p>	<p>Outstanding employee loan balances should be collected.</p>