

Udunuwara pradeshiya sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Udunuwara 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 Udunuwara 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 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 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 Urban council, 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 Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The land on which the pradeshiya sabha building was built had not been assessed and accounted and Rs.3,975,287 spent on repairing two buildings at sabha during the year under review had not been capitalized.	That will be corrected in the year of 2024	The lands should be valued and capitalized.

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| (b) As on the last date of the year under review Rs.600,000 had been debited as expenses and erroneously accounted under creditors without calling for quotations and submitting an order for the purchase of computers and printers. | -Do- | It should be accounted with a contract or an obligation. |
| (c) Due to adjustment of the stamp duty receivable of Rs.21,394,150 in relation to the previous year twice, the stamp duty receivable was overstated by Rs.21,394,150 as at the end of the year under review. | -Do- | Incomes should be recognized correctly and accounted. |
| (d) That the receivable key money and income of the year had been understated due to key money of Rs.1,446,550 received in relation to a tendered stall in the year under review was credited to the key money control account without crediting to the income. | That the amount of Rs.1,446,550 which is the key money of the year 2023 has been accounted under the key money control account. | Accounts should be prepared correctly. |
| (e) The expense of the year had been overstated due to accounting as an expense of the year under review of Rs.937,584 arrears of contributions paid to the Employees' Provident Fund and the Employees' Trust Fund related to the previous years. | It will be ensured that such mistakes do not happen again in the future. | Previous years expenses should be adjusted to the accumulated fund. |
| (f) Having identified and accounted for the receivable amount from 13 stalls in Gelioya Public Market in the year under review, the | That the amount of Rs.2,993,824 which is key money income in the year 2023 | The income should be accounted correctly. |

received amount of key money instalment of Rs.977,664 related to the year under review by debiting the key money control account and crediting it to income that the key money and income had been overstated. has been accounted under key money control account

1.6.2 Unreconciled Control Accounts or Records

Subject	Comments of the Sabha	Recommendation
Although the Local Government Contributory Pension Fund was overpaid by Rs.12,087 as at the end of the year, a discrepancy of Rs.593,730 was observed due to the payable balance amount of Rs.581,643 in the financial statements.	That will be corrected in the year of 2024	Discrepancies should be identified and account should be corrected.

1.6.3 Unauthorized transactions

Detail about the unauthorized transaction	Comments of the Sabha	Recommendation
(a) An amount of Rs.7,689,649 in 04 revenue subjects had been wright off from the accounts to adjust the balance from the final account and the balance as per schedule without obtaining formal approval.	That it will be presented to the management committee and the relevant approval will be obtained.	A formal approval should be obtained and account should be settled.
(b) Rs.151,200 had been erroneously wright off from the key money control account and Rs.199,260 from the stall rent deposit account to offset the stall rent outstanding from the stall No.19 in Gelioya Public Market.	That will be corrected in 2024	Action should be taken to adjust the stall rents to be adjusted from the deposit account.

- (c) Development Project debtors amounting to Rs.7,362,767 and development Project creditors amounting to Rs.1,290,555 had been written off without approval during the year under review. That will be corrected after checked the documents. The accounts balances should be identified and settled.

1.6.4 Suspense Accounts

Subject	Comments of the Sabha	Recommendation
As at 31 st December of the year under review, the balance of the suspense account of Rs.46,226 shown in the financial statements had not been checked and settled. The journal entries had debited Rs.365,838 and credited Rs.10,254 to the suspense account without specifically identifying the offense committed In the year under review.	Deficiencies will be identified and the suspense account will be settled	Errors in account balances should be identified and corrected.

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 and documents had not been submitted to the audit relating to the 02 assets balances of Rs.306,245 shown in financial statements.	That correct information will be entered into the account in the year 2024	The necessary schedules to prove the account balances should be maintained 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 Non-compliance Laws, Rules Regulations etc.		Comments of the Recommendation Sabha
(a)	Pradeshiya Sabha Act no 15 in 1987		
(i)	Paragraph 19(1)(xii)	19 stalls in the Gelioya public market were rent out for 30 years in the year 2022 without the prior approval of the Minister in charge of the subject.	That the letters were forwarded to obtain the approval of the Minister in charge of the subject. The provisions of the act should be followed.
(ii)	Section 127	Action had not been taken to the ownership of the land where 87 cemeteries were used by the sabha.	That further activities is being done to take over. Action should be taken to transfer the ownership of cemeteries located in the sabha area.
(b)	Public Administration Circulars		
	4.1 and 4.1.1 of Section XIV of Section I of Establishment Code and Public Administration Circular No.18/2020 dated 16 th October 2020	According to their service requirements, travel expenses and combined allowances of Rs.95,576 had been paid to seven officers who participated in the language proficiency course which had to be completed personally.	That will be charged from relevant officers and informed about it. The instructions of the Establishment code and circulars should be followed.

**(c) Circulars of the
Local
Government
Commissioner**

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| (i) | Paragraph VI of Circular No.2016/03 dated 17 th March 2016 | 02 stalls had been rented without tendered. | That the matter indicated will be investigated | The provisions of the circulars should be followed. |
| (ii) | Section 12 of Circular No.2016/03 dated 17 th March 2016 | Although it is not possible to add new parts to the stall and change the form without the written permission of the sabha, the two stall No. 03 and 04 of the Gelioya market had been combined and prepared as one stall. | No comments | The provisions of the circulars should be followed. |
| (iii) | Section 28 a (3) of the Urban Development Authority Act No.41 of 1978 as amended by Acts No.04 of 1982 and No.44 of 1984 and Schedule 02 of the Planning and Development Orders/Regulations of the Urban Development Authority No.2235/54 dated 08 th July 2021 | The legal action had not been taken to 05 buildings constructed without complying with the approved plan. | That the files will be followed up and legal action will be taken | The legal action should be taken. |

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.18,591,301 as compared with the excess of revenue over recurrent expenditure amounted to Rs.48,739,458 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 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	Estimated revenue	Billed revenue	2023 Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	2022 Collected revenue	Total arrears as at 31 st December
		(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i)	Rates income	12,925,000	11,880,628	13,118,345	34,141,333	13,156,000	12,978,577	9,803,046	35,615,728
(ii)	Rent income	5,417,073	6,868,774	12,626,544	14,897,784	3,770,000	32,184,265	13,747,785	18,729,330
(iii)	License Fees	2,909,100	3,564,412	3,564,412	--	2,450,000	2,989,008	2,702,508	994,300
(iv)	Other Revenue	54,961,100	43,051,101	83,098,985	105,048,056	22,114,750	52,309,537	88,717,013	37,053,107
	Total	<u>76,212,273</u>	<u>65,364,915</u>	<u>112,408,286</u>	<u>154,087,173</u>	<u>41,490,750</u>	<u>100,461,387</u>	<u>114,970,352</u>	<u>92,392,465</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)	It was not possible to comment on the revenue collection performance as the information presented by the Secretary regarding billed revenue, collected revenue and outstanding revenue was not comparable with the information given in the	That the main sources of income are compared according to the financial statement, and that the documents of the reviewed year are checked with the documents related to the previous years and the related non-	Each income statement and account balance should be compared and corrected.

previous year's financial statements and the financial statements of the year under review. comparisons are corrected this year.

(b) Rates and taxes

(i) As on 31st December of the year under review, arrears of rates and tax of Rs.4,668,738 had not been collected from 132 private properties that have been in existence for more than 05 years and the total amount of arrears per unit exceeded Rs.20,000. Without following the provisions in section no 158(1) of the pradeshiya sabha act no.15 of 1987. Action will be taken to collect the outstanding rates in future. The outstanding rates should be collected.

(ii) As at 31st December of the year under review, the arrears of assessment amounting to Rs.682,299 in 168 rates units of 03 government institutions had not been collected for more than 05 years. That the arrears of rates will be collected in accordance with the pradeshiya sabha act. The outstanding rates should be collected from the government bodies.

(c) Court Fine and Stamp Duty

As at 31st December of the year under review, court fines amounting to Rs.1,504,073 and stamp duty amounting to Rs.93,760,075 were due from the Chief Secretary of the Provincial Council and other authorities. That the stamp duty arrears balance is changed on correction of stamp duty schedule from land registrar offices. The 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.1,085,636 against those responsible in the previous years and the money had not been collected at the 31 st of December of the year under review.	Further charges will be charged based on the orders received after completing the appeal investigation and referring it to the Ministry of Local Government.	Surcharges 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)	According to Sections 93 to 95 of the pradeshiya sabha Act No. 15 of 1987, transportation of excrement and waste treatment should be done by the pradeshiya sabha, but the attention of the sabha was not focused on procuring a gully bowser and starting a sewage treatment unit.	This proposal will be included in the future action plan.	Provisions of the act should be followed.
(b)	The sabha had not conducted a weekly fair as per Section 119 of the pradeshiya sabha act no 15 on 1987.	In the future, a weekly fair will be started in association with the Divisional Secretariat.	The functions specified in the Act should be performed.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 06 receivable accounts balances as on the last day of the year under review was Rs.133,991,591. From that, the sum of Rs.102,846,795 between 01 and 05 years and the sum of Rs.28,014,684 of the balances that exceeded 05 years had not been collected.	Action will be taken to collect relevant outstanding income.	Receivable account balances should be collected.
(b) causing a loss to the sabha fund from March 2020 to May 2022, Rs.336,821 to be charged from the employee to the Employees' Provident Fund had been paid from the sabha fund for 07 employees employed on a daily basis by the pradeshiya sabha, Although the money was to be paid to the Employees' Provident Fund but the amount had been remitted to the Employees' Provident Fund of the Department of Labour.	That this money had to be paid due to lack of proper instructions and notification from the Labor Department.	It should be paid to the concerned institution as per the rules and regulations.
(c) The Pumunuwa Brass Factory was constructed at a cost of Rs.1,989,935 during the year under review but it was not utilized for the intended purpose.	After receiving the valuation report, arrangements have been made to tender and provide this building for lease	The building should be used for the intended purpose.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
The total amount of Rs.23,152,179 owned by the sabha is from 09 vehicles, one vehicle for more than one year and other 08 vehicles remained idle and condemned for more than 03 years.	The vehicles to be auctioned will be auctioned and the usable vehicles will be repaired after bringing the government's valuation.	The relevant measures should be completed immediately.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
Unclaimed assets		
(a) The ownership of 80 lands and buildings used by the sabha had not been taken over.	That the cemeteries in the government lands used by the sabha are taken over	The legal ownership of the lands owned by the sabha should be confirmed
(b) There is a total non-moving balance of Rs.424,463 in the tube well stock, and the stock has not been taken to use or given to any other institution that can be taken to use.	Once a tube well technician is recruited the stock will be maintained as the materials in the warehouse are required for the repair work of the tube wells in the future.	Stock must be taken to use or other appropriate action should be taken.
(c) The legal ownership of the land of 01 acre, 01 rood, 25.69 perches where the Kiriwaula Manel-anga Waste Management Center is located had not been taken over.	That the land acquisition is in progress.	The land should be acquired.

3.5 Delays in projects, tasks or capital works

Audit Observation	Comments of the Sabha	Recommendation
07 construction projects totaling Rs.11,485,000 that were planned to be constructed in the reviewed year and last year had been abandoned by the end of the reviewed year.	That projects have not been completed due to reasons such as non-registration of roads, heavy rains and non-implementation of projects by the societies.	The planed tasks should be done.

3.6 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
An estimate was prepared for the development of the drainage system from Vegiriya Natha Dewalaya to Kirigala Ambalama Road with the Udunuwara Grama Development Society for Rs.1,350,000 and the work was completed	That the loss will be recovered from the retention money.	Officers who recommended payment without using the applicable rates should be identified and action should be taken.

and Rs.1,341,162 had been paid in the year under review.

In the check of the file Rs.87,560 had been overpaid for 88 square meters that the rate of ST 112 of Rs.1,030 should be used, but the rate of ST 64 of HSR is Rs.2,025. according to the Highway Schedule Rate of the application of 25 mm for form work in the construction of drainage system according to the subject number 08.

3.7 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Employee vacancies and excess		
In comparison of approved staff with actual staff there were 20 vacancies in 02 posts and 14 excess in one post.	That the excess officers recruitments were made based on the policy decisions of the government.	Vacancies should be filled.
(b) Employee Loans		
The outstanding balance of Rs.1,490,831 was not collected from 20 officers who were transferred, retired and defaulted due to various reasons from the year 2019.	Due to the problematic conditions in the employee loan documents of previous years, they will be rectified and the loan balance will be collected.	Employee loans due to the sabha should be collected.

4. Accountability and Good Governance

Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
There are only 03 internal audit reports were issued during the year under review although the duties related to the internal audit of the sabha were assigned to two officers. Accordingly, it was observed that no adequate internal audit has been done during the year.	That the Internal Audit Officers have been informed in this regard.	Action should be taken to do an adequate internal audit.