

## Ududumbara Pradeshiya Sabha - 2022

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Ududumbara 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 Pradesiya 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ududumbara Pradeshiya Sabha as at 31 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**

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 this 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 Sub-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 to be prepared.

#### **1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- The Financial Statements of the Pradeshiya Sabha are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018.

## 1.6 Audit Observations on the Preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Fuel expenses of Rs.151,200 payable in December of the year under review had been accounted for twice.	Correction will be made in due course.	Accuracy should be ensured in the process of accounting.
(b) Library books worth Rs.167,220 received as donations during the year under review had not been accounted for under the capital income and expenditure.	-Do-	-Do-
(c) Purchase of library books and machinery totalling Rs.141,403 during the year under review had been accounted for under the recurrent expenditure.	-Do-	-Do-
(d) An expenditure amounting to Rs.4,116,331 of a water scheme renovation project in relation to the preceding year had been accounted for as the capital expenditure of the year under review.	It did not have an impact on the accumulated fund.	Expenditure applicable to the year should be accounted for.

## 1.6.2 Lack of Documentary Evidence for Audit

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Schedules and files on the salary reimbursement balances of Rs.155,239 received by the end of the year under review in respect of the ensuing period had not been presented.	Action will be taken to make corrections in the future.	Relevant confirmations should be obtained.

## 1.7 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

	<b>Reference to laws, rules, regulations etc.</b>	<b>Non-compliance</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	Sections 127/128 of the Pradeshiya Sabha Act, No.15 of 1987.	Ownership of 23 cemeteries used by the Sabha had not been taken over.	This has been referred to the Commissioner of Local Government seeking approval for the transfer.	Ownership should be taken over.
(b)	By-laws on the advertisements contained in the Local Authorities (Standard By - Laws) Act , No. 06 of 1952	Advertisement board charges of Rs. 64,800 as at the end of the year under review had not been recovered.	That the relevant institutions were informed.	Arrears of advertisement board charges should be recovered.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs.2,960,443 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.3,180,488.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Chairman, the particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,937,400	1,842,187	1,942,132	720,884	4,224,100	1,788,912	1,370,404	820,830
(ii) Rents	3,729,600	3,178,932	2,161,599	3,804,608	1,218,000	2,912,515	1,355,560	2,787,275
(iii) License Fees	870,000	750,522	900,722	111,000	864,000	693,850	551,250	261,200
(iv) Other Revenue	8,044,500	42,918,574	45,644,590	6,187,335	34,664,420	33,841,327	28,949,144	8,913,351
	15,581,500	48,690,215	50,649,043	10,823,827	40,970,520	39,236,604	32,226,358	12,782,656

### 2.2.2 Performance in the Collection of Revenue

#### Audit Observation

#### Comment of the Sabha

#### Recommendation

- | Audit Observation  | Comment of the Sabha   | Recommendation  |
|--|--|---|
| <p><b>Rates and Taxes</b></p> <p>(i) The outstanding balance of rates as at the end of the year under review amounted to Rs.488,356, and the amount due from 21 properties, including arrears exceeding Rs.5,000 for one rating unit totalled Rs.187,084.</p>  | <p>Activities relating to the seizure of properties are in progress.</p> | <p>Revenue should be recovered in terms of provisions of the Act and the rules.</p> |
| <p>(ii) The recoverable outstanding acreage tax as at the end of the year under review amounted to Rs.131,527. This included arrears of Rs.123,078 due from the Hunnagiriya Harepark State Plantation Company for the preceding years. This amount represented 94 per cent of the total arrears.</p> | <p>Relevant parties have been informed of the arrears.</p>               | <p>Outstanding balances should be recovered.</p>                                    |

### 2.2.3 Court Fines and Stamp Duty

Court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and the other authorities as at 31 December of the year under review amounted to Rs. 130,832 and Rs. 5,013,880, respectively.

Requests have been made to recover the arrears. Court fines and stamp duty should be recovered.

### 3. Operating Review

#### 3.1 Execution of duties entrusted by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
According to Section 78 (1) of the Pradeshiya Sabha Act, No.15 of 1987, although it has been stated that the Sabha should act as the public health authority, drinking water had been distributed to the public without testing water samples of 03 water projects belonging to the Sabha,	Water sample testing reports have not been received thus far.	Pure drinking water should be distributed by carrying out relevant tests.

#### 3.2 Management Inefficiencies

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	Seven account balances receivable as at 31 December of the year under review totalled Rs.11,768,375 and it included balances totalled Rs. 3,637,639 related to a period from 1 to 5 years and the balances totalled Rs.211,031 continued to exist for more than 5 years.	Action will be taken to settle the balances in the future.	Receivable balances should be recovered.
(b)	The creditors as at 31 December of the year under review amounted to Rs.12,179,486 and it included a sum of Rs.7,533,074 related to a period from 1 to 5 years and Rs. 312,096 continued to exist for more than 5 years	Measures are being taken to settle the balances.	creditors balances should be settled.
(c)	Ownership of 22 community halls and 11 Ambalam totalled Rs.5,360,119 as at the end of the year under review had not been taken over.	Request letters have been referred and further action will be taken in this regard.	Ownership should be taken over.

### 3.3 Idle or Underutilized Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Three vehicles worth Rs. 2,042,000 and 02 machines totaling Rs. 25,616,323 remained idle and underutilized over a period from 02 to 07 years.	Letters were referred to the Commissioner of Local Government inquiring whether those items should be disposed of or repaired.	Action should be taken either to dispose of or repair those items.
(b) A space of 4870 square feet with large size stalls, including stalls No.02,03,04 and 05 of the multipurpose building constructed at a cost of Rs.42,560,398 under the Puraneguma Project in the year 2016 and the area where the weekly fair was maintained on the ground floor of the building remained underutilized due to not conducting the weekly fair.	Action will be taken to give those spaces on rent by following the tender process in the future.	Properties should be utilized and thereby, income should be.

### 3.4 Assets Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Ownership of 02 playgrounds utilized by the Sabha had not been vested in.	Action will be taken to vest in the ownership.	Ownership should be vested.

### 3.5 Human Resource Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) <b>Cadre vacancies and excesses</b>  When comparing the approved cadre and the actual cadre, there were 20 vacancies of 11 posts, while there were 08 excess cadre of one post	The vacant post to which the recruitment should be made has been suspended and the development officers are the excess cadre.	Vacancies should be filled.
(b) Action had not been taken to formulate a human resource plan and sign annual performance agreements in terms of Public Administration Circular No. 2/2018 dated 24 January 2018.	Action will be taken to prepare relevant plans.	Action should be taken in accordance with circular instructions.

#### 4. Accountability and Good Governance

##### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
When comparing the estimated income and expenditure of the budget prepared for the year under review with the actuals, variations ranging from 30 per cent to 100 per cent were observed relating to 10 items of income, while variations ranging from 23 per cent to 94 per cent were observed in relation to 14 items of expenditure. Accordingly, the budget had not been made use of as an effective instrument in control.	The budget will be used as an effective instrument in control in the future.	The budget should be prepared with due regard in keeping with the necessities.

##### 4.2 Sustainable Development Goals

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
Although the Sabha had identified sustainable development goals and targets in terms of provisions of the Sustainable Development Act, action had not been taken to achieve them.	Action will be taken to achieve the goals and targets in the future.	Goals and targets should be identified and implemented.