

## Udunuwara pradeshiya sabha - 2022

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### 1. Financial Statements

#### 1.1 Adverse Opinion

The audit of the financial statements of the Udunuwara 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, because of the significance of the matters described in paragraph 1.6 of this report, the financial statements do not give a true and fair view of the financial position of the Udunuwara pradeshiya sabha as at 31<sup>st</sup> December 2022 and its financial performance for the year then ended in accordance with generally accepted accounting practices.

#### 1.2. Basis for Adverse Opinion

I expressed adverse 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 adverse 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 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 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 Policies

Audit Observation	Comments of the Sabha	Recommendation
As at 31 <sup>st</sup> of December of the year under review, external parties had filed 31 lawsuits against the sabha and the sabha had filed 08 against external parties, but regarding that was not disclosed in the financial statements.	That will be corrected in the year of 2023.	Should be disclosed regarding the cases.

### 1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) It was not capitalized Rs.81,232,564 spent on building construction in the previous year and the year under review.	The amount of Rs.7,070,462 has been capitalized spent on building construction. That the money spent on the remaining construction will be corrected in the year 2023.	Building constructions should be capitalized.
(b) The amount of Rs.594,918 paid to settle the outstanding of the Local Government Pension Fund was accounted under the expenditure of the year under review.	That will be corrected in the year of 2023.	Should be properly accounted.

- (c) During the year under review, Rs.5,129,500 for 67 projects for which the Governor's approval was not received for providing aids through sabha funds and Rs.600,000 for without receiving a purchasing order of computers and printers were accounted under creditors. These projects were submitted for the Governor's approval, and since the approval has not been received till now, the implementation of the proposals has been suspended. Account balances should be corrected.
- (d) The sum of Rs.1,593,364 related to 33 projects that had been completed and paid in previous years was further accounted under creditors. That will be corrected in the year of 2023. Creditors should be properly accounted.
- (e) When taking to the revenue of the sabha of expired deposits during the period from 1994 to 2017 Rs.446,656 was considered as income of the reviewed year without being credited to the accumulated fund. Will ensure that such errors do not occur. Should be properly accounted.
- (f) According to the inspection report of F R 104(04) Rs.151,350 to be charged from 04 parties related to the fraud committed during the collection of revenue in the field was not accounted. Correctly identifying the defrauded amount and correcting will be done. Receivable accounts should be identified and accounted.

### 1.6.3 Unreconciled Control Accounts or Records

Subject	Comments of the Sabha	Recommendation
There was a difference of Rs.31,147,304 in comparison with the balances shown in the schedules relating to 03 assets and 03 liabilities shown in the financial statements,	These balances will be adjusted correctly.	Account balances should be corrected.

### 1.6.4 Suspense Accounts

Subject	Comments of the Sabha	Recommendation
The balance of the suspense account of Rs.594,742 had not been investigated and settled	That the balance of the suspense account of Rs.594,742 will be settled in future.	the suspense account should be settled after identify the defects.

### 1.6.5 Documentary Evidences not made available for Audit

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) It was unable to satisfactorily verified in the audit because of the schedule was not submitted to the audit relating to the 03 account balances of Rs.9,315,416.	Fixed assets have been identified and documented now and long term deposits are being credited to the Accumulated Fund.	The necessary schedules should be maintained correctly to prove the account balances.
(b) During the period from 2011 to 2015, the subject in charge committed a financial irregularity of Rs.1,028,451 by misusing the software introduced to collect assessment revenue and taking money from people who pay assessment tax and not crediting it to sabha income. In this regard, although the final investigation has been carried out in the year 2018, the individual balances of the victims of fraud have not been rectified until now, and the correctness of the outstanding assessment balance of Rs.35,331,051 stated in the financial statements of the year under reviewed unable to confirmed.	The fraudulent receipts have been already submitted by the tax payers as on this it is too late to determine the deficit.	The outstanding balance 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.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) National Audit Act no 19 in 2018 Section 16(2)	The performance report was not submitted for the year under review.	The performance report will be prepared for year 2023.	The provisions of the Act should be followed.

- (b) Pradeshiya sabha  
act no 15 in 1987

Section 127 66 cemeteries used by the sabha Further work is being done Arrangements should  
were not taken over. to take over. be made to take over  
the ownership of  
cemeteries in the  
sabha area.

- (c) Pradeshiya sabha In the purchase of goods such as That necessary certificates Rules should be  
(Finance and sand, concrete pillars and library will be submitted along with followed.  
Administration) books, there was no confirmation the relevant vouchers  
Rules 115 in 1988. that the goods were received and  
entered to the inventory books and  
stock books an amount of  
Rs.872,264 had been paid through  
08 payment vouchers.

## 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 2022 amounted to Rs.48,739,458 as compared with the excess of revenue over recurrent expenditure amounted to Rs.41,643,798 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	Estimated revenue	Billed revenue	2022 Collected revenue	Total arrears as at 31 <sup>st</sup> December	Estimated revenue	Billed revenue	2021 Collected revenue	Total arrears as at 31 <sup>st</sup> December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates and taxes	13,156,000	12,978,577	9,803,046	35,615,728	12,793,800	12,373,206	8,638,896	32,440,197
(ii) Rent	3,770,000	32,184,265	13,747,785	18,729,330	2,585,000	552,100	452,130	292,850
(iii) License Fees	2,450,000	2,989,008	2,702,508	994,300	3,000,500	1,566,709	1,566,708	707,800
(iv) Other Revenue	22,114,750	52,309,537	88,717,013	37,053,107	64,765,500	64,631,971	72,588,256	73,460,583
<b>Total</b>	<b>41,490,750</b>	<b>100,461,387</b>	<b>114,970,352</b>	<b>92,392,465</b>	<b>83,144,800</b>	<b>79,123,986</b>	<b>83,245,990</b>	<b>106,901,430</b>

## 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
<b>(a) Rates</b>		
The sum of Rs.10,317,312 dues had not been collected from 593 properties with a outstanding of more than Rs.10,000 per assessment unit.	That close attention will be paid in the year 2023 to collect the assessment arrears.	Arrears of assessment should be collected.
<b>(b) Acreage Tax</b>		
The acreage tax of Rs.202,996 due from 196 properties had not been collected Since 2015.	The money will be collected from the acreage tax arrears land	Arrears of tax should be collected.
<b>(c) Three Wheeler Chargers</b>		
In relation to the previous year, Rs.556,800 of three wheeler chargers had not been collected from 464 three-wheelers	These charges have been delayed due to the requirement to obtain written permission from the Road Development Authority.	Revenue should be collected.
<b>(d) Inspection of Advertisement Board</b>		
In the year under review, 18 advertisement boards installed in 19 institutions were not identified in the annual survey, and an income of Rs.83,470 was not collected for that.	It is not possible to present specific information regarding the charging or non-charging of these advertisement boards.	Chargers should be collected.

### 2.2.3 Court fines and stamp duty

#### **Audit Observation**

Stamp duty that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31<sup>st</sup> of December 2022 were Rs.30,189,796.

#### **Comments of the Sabha**

The necessary actions have been taken to get the money by making requests to the relevant institutions to get the money

#### **Recommendation**

Outstanding stamp duty should be collected.

### 2.3 Surcharges

#### **Audit Observation**

According to the provisions of the pradeshiya sabha act imposed a surcharge of Rs.1,020,364 against those responsible in the previous years and the money had not been collected at the 31<sup>st</sup> of December of the year under review.

#### **Comments of the Sabha**

That one officer related to this surcharge has been imprisoned and the other officers have appealed.

#### **Recommendation**

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**

Under Section 126 of the pradeshiya sabha Act, by-laws should have been enacted to fulfill 22 main matters, but at the 31<sup>st</sup> of December 2022 by-laws had not been enacted for 17 matters.

#### **Comments of the Sabha**

That by-laws are enacted as per the area requirement.

#### **Recommendation**

Should be followed the provisions of the Act.



### 3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Although 01 percent tax was collected based on the valuation given by the auctioneer from the sale of the land called Kurunduwatta Estate, the remaining tax money on the sale value was not collected.	The relevant agencies has been informed to get 01 percent tax from the sale price of the land called Kurunduwatta Estate.	Tax should be collected.
(b) In the lease of 15 stalls in Gelioya Public market complex, the amount of Rs.21,420,000 to be charged the amount of Rs.749,780 to be applied to the year under review and the interest of Rs.1,891,881 related to the balance had not been charged at the last day of the year under review.	The counsel of the council has been directed to initiate legal proceedings for legal recovery.	Stall rent should be collected.
(c) As on 31 <sup>st</sup> of December of the year under review the balance of capital debtors was Rs.13,476,975 and which the outstanding balance between 01 and 05 years was Rs.6,299,373.	Request letters and reminders already have been forwarded. That the receivable amount will be collected.	Receivable balances should be collected.
(d) As at the last day of the year under reviewed the balance of the 03 payable accounts ware Rs.31,553,216, out of that total balance between 01 and 05 years was Rs.8,410,133 and the balance that was over 05 years was Rs.909,356.	Will be checked and corrected.	payable balances should be settled.

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

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) 08 vehicles worth Rs.5,503,000 owned by the sabha remained idle for between 03 and 10 years.	That 03 vehicles will be repaired, 03 vehicles will be auctioned, and 02 vehicles will be given to other organizations.	The relevant actions should be completed immediately
(b) There is an non-movable stock balance totaling Rs.424,463 in the tube well warehouse, and the said stock has not been put to use or had not been given to any other institution.	Although necessary arrangements have been made to give these equipment to the Water Supply Board, the Water Supply Board has been informed that there is no requirement of these equipment.	The appropriation action should be taken or disposed.

### 3.4 Assets Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) 67 lands belonging to the sabha and 50 plots of land where tube wells and public wells are located have not been taken over.	That arrangements are being made to survey and take over cemeteries and land.	The lands should be take over.
(b) The ownership of the land the quantity of 01 acres, 01 roods and 26.69 perches was not taken over where the Waste Management Center is located at Kirivavula ManelAnga area.	That further action will be taken to take over the land where the waste yard is located in ManelAnga belonging to this sabha.	-Do-

### 3.5 Procurement Management

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Although there was a capital expenditure of Rs.9,456,954 but no procurement plan was prepared for the year under review.	No comments.	The procurement plan should be prepared and followed.

### 3.6 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
<p><b>(a) Construction of Community Building at Owaladeniya Ulakkenda RS.1,431,895</b></p>		
<p>(i) According to the bill, estimated and paid the thickness of the cement block of 150mm should use for masonry block work under work subject 01. But Rs.95,634 was paid for out-of-spec due to 100mm cement blocks were used for the construction.</p>	<p>Will arrange to recover the overpaid amount of Rs.95,634 from the retention amount. That retention have not been released yet.</p>	<p>Work should be completed as per the estimated standard</p>
<p>(ii) According to the bills, it was observed that although Rs.460,194 was paid for aluminium doors and windows under work subject no. 03 and 04, the construction was not done in the manner mentioned in the specifications with aluminium 10-15 micron cladding boards mentioned under K 001 and K 010 in the building rate analysis. Accordingly, Rs.460,194 had been paid for out-of-spec construction.</p>	<p>The society has been informed to correct as mentioned in the specifications.</p>	<p>Necessary action should be taken against the officials who recommended the bills</p>
<p><b>(b) Construction of road of Manikkawa Nonawatte Rs.1,199,826</b></p>		
<p>(i) Work Subject No. 01 had spent Rs.144,890 for 23.07 cubic meters for laying ABC on the road at Rs.6,070 per cubic meter, and Rs.41,525 for 23.92 cubic meters for transporting ABC at Rs.1,736 per cubic meter. Although 0.150 meters thick ABC should be laid on the road, it was observed that 0.050 meters thick ABC has been laid for 03 places on the road during the inspection.</p>	<p>It has spent Rs.144,890 for ABC 23.07 meters. That the retention of Rs.119,983 and other Rs.24,907 will be recovered from the contractor.</p>	<p>Necessary action should be taken against the officials who recommended payment for unexecuted work.</p>

- (ii) Since the test of thickness of the ABC layer (Field Density Test) was not done on this road where ABC was applied to a thickness of 0.150 meters, it was not possible to confirm the amount of ABC applied to this road.
- Every relevant industry will be thoroughly investigated from now on.
- The thickness of ABC should be checked.

**(c) Development of the road from Dambalanda Dunugahamula to Wathupola.**

It was stated in file the construction of the road from Dambalanda Dunugahamula to Vatupola was contracted with the Wattappola Village Development Society for Rs.198,347 and the project was completed by using last year sabha funds. However, on physical inspection, the road was undeveloped and a private road leading to a house had been developed without approval.

After conducting a formal investigation in this regard, further action will be taken.

The approved project should be executed.

### **3.7 Human Resources Management**

#### **Audit Observation**

#### **Comments of the Sabha**

#### **Recommendation**

**(a) Employee vacancies and excess**

Comparing the approved carder and actual carder of the sabha there were 26 vacant in 13 of approved posts and 14 excess in one post.

14 Development Officer posts have been appointed to this sabha by the Central Provincial Public Service Commission and the Local Government Commissioner has been informed about all vacancies in the sabha.

Vacancies should be filled.

**(b) Employee Loans**

A total of Rs.1,204,482 loan balance from 17 retired, deceased and officers who left the service has not been collected for a period of 04 years.	That they will find the current work place of these officers and collect the debt.	Employee loans belong to the sabha should be collected.
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**4. Accountability and Good Governance****Sustainable Development Goals**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
The sabha had not identified sustainable development objectives and goals and had not prepared a sustainable development plan.	Will be prepared the sustainable development plan in the year 2023.	Objectives should be achieved.