

Uhana Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Uhana Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising Statement of financial position as at 31 December 2022, Statement of Financial Operations, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 the provisions of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of 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 accompanying financial statements give a true and fair view of the financial position of the Uhana Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) The stamp duty income related to the year under review had been under-accounted by Rs. 1,381,910.	That will be corrected while preparing future accounts.	Should be properly accounted for.
(b) The value of fixed deposits had been over-accounted by Rs. 100,000 as at 31 December of the year under review.	- Do -	- Do -
(c) In the year under review, trade license income had been under-accounted by Rs.123,000.	- Do -	- Do -
(d) The receivables and payables as at 31 December of the year under review for the Rural Road Development Project 2021, had been understated by Rs. 1,001,148.	- Do -	- Do -

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comment of the Council	Recommendation
There was a mismatch of Rs. 229,465 between the balance of fixed assets and the balance of contribution from income and grants to capital investment account as at 31 December of the year under review.	That will be corrected while preparing future accounts.	Schedules should be prepared in relation to the balance of the financial statements.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of expenditure over recurrent revenue of the Sabha for the year ended 31 December 2022 amounted to Rs. 1,834,389 as against the excess of revenue over recurrent expenditure amounted to Rs. 276,823 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 details 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	2022				2021			
	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	2,544,784	2,420,432	2,224,608	4,285,266	2,544,784	1,710,953	1,381,279	4,089,442
ii. Rent Income	12,974,968	4,506,650	4,615,140	163,874	9,924,968	8,564,709	8,470,615	272,364
iii. License Fees	1,601,000	492,250	492,250	-	1,501,000	529,250	529,250	-
iv. Other revenue	950,000	819,770	819,770	-	900,000	845,155	845,155	-
Total	<u>18,070,752</u>	<u>8,239,102</u>	<u>8,151,768</u>	<u>4,449,140</u>	<u>14,870,752</u>	<u>11,650,067</u>	<u>11,226,299</u>	<u>4,361,806</u>

2.2.2 Revenue Collection Performance

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation	Comment of the Council	Recommendation
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(a) Assessments and Taxes

As at 31 December of the year under review, the arrears of assessment tax was Rs. 4,285,266 which was over 408 per cent compared to the billed amount of Rs. 1,047,926 in the year.

That the actions being taken to make payment through online system and awareness about it. In 2023, the property of people with high balance will be banned.

According to the provisions of the Act, the arrears of income should be recovered promptly.

(b) Rent

As at 31 December of the year under review, arrears of rent of Rs. 85,531 out of Rs. 163,874 had been remained from the year 2017.	That legal action will be taken in the future.	As per the agreement, the arrears should be recovered promptly.
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3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
The council had been given an advance of Rs. 1,314,000 to the contractor out of the Rs. 1,789,907 received in the year 2016 for the construction of the solid waste center under the financial provisions of the Central Environment Authority. Due to the opposition of the public, this construction work had been abandoned without starting, but the council had not been taken actions to recover the advance amount from the contractor for more than 06 years.	That the Council has been informed to give advance money other than the basic expenses incurred in connection with the work of the contractor.	Actions should be taken to recover the relevant money.

3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
(a) Fixed asset registers had not been kept up-to-date including all the fixed assets mentioned in the schedules in respect of each classification.	That the Fixed Asset Register will be updated in the future.	Fixed asset registers should be maintained up to date.
(b) The value of 44 cemeteries and 05 playgrounds belonging to the council had not been recognized and accounted.	These lands are currently being taken over in the name of the council and after they are taken over, they will be assessed and taken into account.	Value should be recognized and accounted.
(c) Actions had not been taken to repair and reuse or to properly dispose of vehicles that cannot be repaired of 06 vehicles in the possession of the council.	That the Deputy Chief Secretary (Finance) has been informed several times to auction these vehicles.	Appropriate actions should be taken to dispose promptly.

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| (d) | As at the date of audit, action had not been taken to transfer the ownership of the 14 vehicles to the name of the council. | Actions are being taken to transfer the ownership of 02 vehicles and the transferring procedures have been stopped since the documents for the remaining vehicles cannot be completed. | Actions should be taken to transfer the ownership of the vehicles to the name of the council. |
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3.3 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) At the end of the year under review, there were 18 vacancies in the council.	The relevant agencies have been informed about the vacancies. Currently, 05 casual employees and 02 multipurpose employees have been used for work.	Necessary action should be taken to fill up the vacancies in the staff.
(b) Thirteen employees loan balances of Rs. 167,403 due from 01 to 05 years had not been recovered.	The officials have been informed and so far an amount of Rs. 2,160 has been recovered.	Actions should be taken to settle outstanding loan balances.