

Ganga Ihala Korale pradeshiya sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ganga Ihala Korale pradeshiya sabha including the financial statements for the year ended 31st December 2023 comprising 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 Ganga Ihala Korale 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) The land and building and income contributions to capital utilisation of the sabha was overstated by that amount due to the adding more of an amount of Rs.1,599,000,000 when copying to the land and building ledger account.	That will be corrected in next year	The account should be corrected.

- (b) Rs.1,678,904 credited to the creditors for providing chairs to voluntary societies in the previous year had been approved for write-off in the year under review, but due to the fact that it was not written off the creditors were overstated. That this amount will be taken to government revenue. The account 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.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act no 15 of 1987 Paragraph 122(1)	Although fees Rs.648,950 were charged for the physical fitness Center and E-Nana Piyasa, but by-laws had not been enacted for that.	That action are being taken to enact by-laws.	The provisions of Act should be followed.
(b) Local Government Authorities (Standard By - Laws) Act No.06 of 1952	Rs.123,625 had not been collected from 33 advertisement boards.	That action will be taken to remove advertisement boards.	Fees should be charged on time.
(c) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 Rule No 59	The pradeshiya sabha had not conducted a survey on trade and business taxes in the area at the beginning of the year.	That survey activities are carried out according to a formal plan.	The provisions of the act should be followed.

- (d) Circular No.2020/06 dated 28th September 2020 of Local Government Commissioner's of Central Province, paragraph 02.2(1)
- Although the approval of the Local Government Commissioner should be obtained for the capital project carried out using the money in the fixed deposits, without following that 04 fixed deposits worth Rs.20,000,000 had been released and payments had been made for the capital projects.
- That it is expected to take the advice of the Local Government Commissioner
- The advices of the circular 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.23,849,286 as compared with the excess of revenue over recurrent expenditure amounted to Rs.37,491,762 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 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 sours	Estimated revenue	2023			Total arrears as at 31 st December	2022			Total arrears as at 31 st December
		Billed revenue	Collected revenue	(Rs)		Estimated revenue	Billed revenue	Collected revenue	
(i) Rates income	5,982,520	2,936,972	3,151,859	1,423,185	4,435,115	3,394,445	3,767,931	1,637,821	
(ii) Rent income	20,937,500	6,653,946	6,392,400	1,586,247	19,903,000	8,459,778	8,553,949	1,324,701	
(iii) License Fees	725,100	180,000	184,500	40,500	575,100	635,758	568,758	45,000	
(iv) Other Revenue	62,673,000	32,685,162	33,362,273	30,267,490	40,937,500	56,326,332	46,110,238	30,944,601	
Total	90,318,120	42,456,080	43,091,032	33,317,422	66,450,715	69,342,213	59,192,476	33,952,123	

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		
As at 31 st December of the year under review, the arrears of rates and tax amounting to Rs.353,723 had not been collected from 86 rates units which had been overdue for more than 05 years. Section 158(1) of the pradeshiya sabha act had not been followed regarding this.	That a letter has been sent to the Department of Agricultural Services in Ganga Ihala Korale to identify the property owners	Action should be taken to collect the outstanding income.
(b) Acreage tax		
As at 31 December of the year under review, the arrears acreage tax of Rs.80,862 in 98 units, which had exceeded a period of 05 years had not been collected.	That the arrears taxes will be collected	Outstanding and billed revenue should be collected on time.
(c) Rent		
As at 31 st December of the year under review, the arrears rent of Rs.1,337,962 had not been collected from 17 stalls for a period of 05 years.	That the arrears stall rent will be collected	The arrears stall rent should be collected.
(d) Three wheeler fees		
As at 31 st December of the year under review, the outstanding three wheeler charges due from 97 persons for more than 02 years of Rs.1,347,930 had not been collected.	That the arrears chargers will be collected	The outstanding revenue should be collected.

(f) Court fines and stamp duty

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31st of December 2023 were Rs.794,265 and stamp duty was Rs.29,299,350

That the receivables will be collected

Court fines and stamp duty 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) Water samples were not tested in 08 water projects maintained by the pradeshiya sabha and the condition of the water distributed to consumers was not identified. It was observed that enough attention had not paid to the health of the divisional people.	That water will be purified and distributed in the future	Water samples should be tested and clean drinking water should be provided to the public.
(b) At the 31 st of December 2023, by-laws had been enacted only for 03 purposes according to Section 126 of the pradeshiya sabha Act	That the By-laws will be enacted.	The By-laws should be enacted.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) As at the last day of the year under reviewed, the balance of the industrial debtors was Rs.3,220,178, and the balance that exceeded the period between 01	Although letters have been sent to the relevant institutions to settle the debtor balance but the money has not been received till now.	The receivables should be collected.

and 05 years was Rs.2,680,414 and the balance that exceeded 05 years was Rs.96,829 had not collected.

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| (b) | As at the last day of the year under reviewed, the balance of the industrial creditors' was Rs.10,884,224, and the balance between 01 and 05 years was Rs.4,359,198 and the balance that exceeded 05 years was Rs.428,169 had not settled. | That the remaining money will be settled promptly. | Payable account balances should be settled. |
| (c) | Although 05 new areas have been designated as improved areas in Gazette No. 1770 dated 03 rd of August 2012, even though 11 years have passed by the last date of the year under review, the identifying and valuation of the properties and collecting of rates had not done. | That the report will be submitted for valuation to the valuation department. | Property should be identified and rates areas should be designated and tax should be collected. |
| (d) | Although Veegulawatta area, where the Gampola Urban Council collected 135 rates units, belonged to the Ganga Ihala korale after the delimitation of the year 2018, but the properties in that area had not been valued and rates had not collected. | That letters have been send to inquire about ability of tax collection. | Should be valued and taxed. |

3.3 Disputed transactions

Audit Observation

Comments of the Sabha

Recommendation

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| (a) | The Summersed Corona Treatment Center in the pradeshiya sabha area completed its work on 25 March last year and 297 beds and accessories, 301 plastic chairs, 23 wooden stools, 04 televisions and accessories, 03 | All goods are documented by the Divisional Secretariat. Arrangements have been made to recover the goods | Requirement should be identified and necessary documents and files should be maintained and disposed of in a |
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washing machines, 08 dining tables, a generator, 63 fans, 16 CCTV cameras, 07 water motors, 07 plastic water tanks, 07 water filters. and the equipment including a refrigerator had been handed over in writing to the Chairman of the Ganga Ihala Korale pradeshiya sabha on 25 March of last year by the Divisional Secretary of Ganga Ihala Korale to the center received as donations from various institutions.

given by the sabha. Other items have been given to the Mahindananda Foundation for the purpose of providing them to temples and institutions as per the instructions of the Honorable Minister.

formal manner and legal action should be taken in relation to irregular releases.

Confirmations were submitted that only for 10 electric fans, 12 beds and accessories and a washing machine were issued from these equipment, and since the information about the issuance of other goods was not submitted, an investigation was not conducted in this regard and the persons responsible were not determined and the necessary actions had not been taken.

- (b) According to Section 19(xi) of the Pradeshiya sabha Act No.15 of 1987, without obtaining the approval of the minister in charge of the subject, the two-storied building belonging to the sabha near the Athgala playground was given to the Athgala police station from 01st November 2021, but action had not been taken to enter into a contract until the last day of the year under reviewed. A tax amount of Rs.910,000 had not been collected according to the valuation obtained for the two-storied building provided to the police station from 01 November 2021 to 31st December of the year under review.

After acquisition of the land, the agreement will be made and the arrears will be collected.

Contracts should be made and taxes should be collected.

3.4 Assets Management

Audit Observation

- (a) According to Section 128 of the pradeshiya sabha Act No.15 of 1987, the pradeshiya sabha

Comments of the Sabha

Acquisition will be done.

Recommendation

The legal ownership of the lands owned by the

had not acquired 30 plots of land used for public purposes.

sabha should be confirmed

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| (b) Although Rs.9,993,090 was paid to the Land Reform Commission on 28 April of the year under review to take over the land in Kurunduwatta, which was 01 acres, 03 perches, 05.26 perches belonging to the Land Reform Commission, the ownership of the land had not been taken over by the end of the year under review. | That action will be taken to get the deed as soon as possible. | Actions should be taken to take over the ownership. |
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3.5 Delays in projects, tasks or capital works

Audit Observation

Although an amount of Rs.11,284,645 was spent for the construction of 02 buildings, the expected output level had not been achieved because they were partially constructed.

Comments of the Sabha

That the work is expected to be completed and achieve the desired level of completeness.

Recommendation

The project should be completed and public interest fulfilled.

3.6 Defects in Contract Administration

Audit Observation

- (a) In the reviewed year, an amount of Rs.170,528 was overpaid to 13 projects due to estimation of ST 64 rate of Highway Schedule Rate (HSR) without using ST 57 rates for Form Work in construction projects.

Comments of the Sabha

That ST 64 was used to complete the work properly

Recommendation

Action should be taken against the officers who are not assessed on the respective rates

- (b) **Construction of the retaining wall near Mr. Malwatta Jayatissa's house in Ulapane based on the provisions of the Ceylon Electricity Board in the year 2023 - Rs.8,199,561**

- (i) As per in paragraph 03 of (Financial and Administrative) Pradeshiya Sabha Rule VIII in 1988 estimates of Rs.8,442,935 for 04 projects with a total value of Rs.2,000,000 each were prepared and the construction was assigned to

It was done contractually with the Community Development Society That the funds were disbursed in installments and as there was an urgent need.

Rules should be followed.

a separate Community Development Society without following the tender procedure.

- (ii) Although the construction of the 4.5 meter high retaining wall of the second phase of the project was completed in the second half of 2023, Rs.271,553 had been overpaid due to the use of in the rates first half of 2023 for the work No.04, No. 05 and No.06. That the estimate was accepted and accordingly the work was completed. Estimates should be prepared and paid according to the correct Highway Schedule Rates (HSR).

According to Work No. 09 HSR of Rs.7,262 in the second half of 2023 should be used for the transportation of sand from a distance of 120 km, but the price of Rs.8,698 will be used in the first half of 2023 Rs.53,768 had been over paid for 37.60 cubic meters at Rs.1,430 and due to using the price of Rs.776 instead of Rs.678 for reinforcement Rs.84,094 had been overpaid for 858.1 kg per is Rs.98.

- (iii) Although Highway Schedule Rate (HSR) ST 065 (General Purposes) rate should be used for work subject No. 07 Form Work, an amount of Rs.329,672 had been overpaid due to use of ST 061 rate of bridges for 02 retaining walls of height 4.5 and 3.00 meters. Because it is a tall embankment, ST 61 of bridge support embankment rate was used. Estimates should be prepared and paid according to the correct Highway Schedule Rates (HSR).

(b) Completion of Phase 02 of Kurunduwatta Disaster Village Water Project in Malwatta Division - Rs.1,611,565

According to the work No.02 of this project, in the use of 40 mm pipes Rs.388,752 had been overpaid was at Rs.590 per due to use of first half of the year 2023 water Schedule Rate (WSR) for 659.86 meters by Rs.2,248 per but the P: 8 of water Schedule Rate (WSR) of the second half of the year 2023 P:8 of Rs.1,658 should be used.

Non-receipt of the revised ISR and that the existing ISR was used and implemented transparently on public demand. The legal actions should be taken to officer who were not used the corrected Irrigation Schedule Rate (IRS).

(c) Construction of Shopping Complex at Kurunduwatta Rs.74,612,900

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| (i) | An amount of Rs.708,750 had been overpaid for the unfulfilled Pilimeneries for this project. | Considering the supply situation at the time of continuous construction of the project, it has been recommended to pay the relevant amount on a percentage basis for the basic expenses items. | The payments should be done only in relation to the supply of needs and facilities under basic expenses. |
| (ii) | Rs.647,403 has been paid for blasting of 47.80 cubic meters of rock at Rs.13,544 each under additional work no. 31 with a special schedule rate for rock blasting, but the rock that has been demolished has not been measured or field in the site. | This stone could not be broken into blocks and was broken into small pieces. Therefore, the stone was broken into small pieces, so they were not reusable. Because it was not of sufficient value to be documented and handed over, the work was piled up on the floor as rubble. | The broken stones should be filed and measurements taken and recorded in the relevant log entries |
| (iii) | An amount of Rs.550,740 was paid for the transportation of all 1,370 cubic meters of soil cut for the base under the additional work subject number 32 at the rate of Rs.402 per cubic meter. However, it was observed that payments were made for uncompleted work by leaving cut soil on the project site. | It was recommended to pay the fees for removing and transporting one pile of soil from the work site during the cutting of the building site, and only the soil cut during the construction of the foundation was piled up at the work site until the foundation was filled again. | Logs entries should be kept about the work done and proper supervision should be done. |