

Kandy Four Gravets and Gangawata Korale pradeshiya sabha – 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Kandy Four Gravets and Gangawata 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 Kandy Four Gravets and Gangawata korale pradeshiya sabha as at 31 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) During the year under review, fixed deposit amounting to Rs.50,000,000 was fully withdraw without approval but the said amount was deducted as unidentified remittances in the bank reconciliation statement as on 31 st December of the year under review without crediting the fixed deposits.	That errors will be corrected.	Fixed deposits should be accounted accurately.
(b) The value of Rs.5,033,004 of Picchamalwatta dumping site land and building owned by the council and Rs.100,000 of Bowalawatta common land were not capitalized, while the value of	-Do-	The lands and buildings should be capitalized.

Thannekumbura old library building was over-capitalized by Rs.538,083.

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| (c) | Although the stamp duty income for the year under review was Rs.57,023,351, it was shown as Rs.55,356,684 in the financial statements and the income was under stated by Rs.1,666,667. | -Do- | The income should be accounted correctly. |
| (d) | Rs.26,000,000 as the purchase of land for waste management was erroneously stated as creditors since 05 years. | -Do- | The creditors should be accounted correctly. |

1.6.2 Unreconciled Control Accounts or Records

Subject	Comments of the Sabha	Recommendation
(a) In comparing the balances of 05 asset subjects and 02 liability subjects shown in the financial statements at the last day of the year under review there was a mismatch of Rs.1,385,256 was observed.	Action will be taken to correct.	The reasons for the change should be investigated and corrected.
(b) As on December 31 st of the year under review, as per the receivable rates income account the balance was Rs.15,996,887 whereas the value of rates receivable as per the system software was Rs.15,304,742 a difference of Rs.692,145 was observed.	-Do-	-Do-
(c) Urban Development Authority Investment Account Balance was Rs.12,596,604 and Urban	That this change is searched and reported	Account balances should be corrected.

Development Deposit Account Balance was Rs.15,049,898 and a difference of Rs.2,453,294 was observed.

1.6.3 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 schedules and documents was not submitted to the audit relating to the 02 assets balances of Rs.8,894,890 shown in the financial statements.	Action will be taken to correct.	The necessary schedules to confirm 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 Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987		
(i) Section 132	During the year under review, an amount of Rs.1,096,808 was spent on providing housing aid to 08 beneficiaries without prior approval in writing from the Minister in charge.	That approval will be taken in the future. If assistance is provided, prior approval must be obtained.
(ii) Section 154(1)	Although income of 01 percent of the sale value of 60 plots of 02 lands was to be obtained the remaining amount of Rs.2,220,161 was not taken from the sale value due to the receipt of income on temporary valuation.	That the related institutions will be notified in writing and the relevant charges will be taken. As per the provisions of the Act, income should be collected.

(b) Public Administration Circulars

(i) Public Administration Circular No.18/2020 dated 16th October 2020 and Sections 4.1 and 4.1.1 of Chapter XIV of Group 01 of Establishment Code

Rs.693,481 had been paid for travel expenses and overtime allowances to 16 officers who participated in the language proficiency course conducted by government officials as per their service requirement.

The action will be taken to charge from relevant officers.

Establishment code and circulars should be followed.

(ii) Public administration circular of 07/2023 on 08th May 2023

Nominations were submitted as candidates for the local government election and an existing officer was employed in the pradeshiya sabha without being transferred as per the circular referred to.

That this officer will be released from the office as soon as the duties assigned to him are completed.

The circulars should be followed.

(c) Other circulars

Section 5.10 of the Local Government Commissioner's letter dated 24th March 2023 and No.3/4/10 common

Although the accountant of the divisional secretariat should be appointed for the procurement board of a pradeshiya sabha, an accountant was not appointed even though the pradeshiya sabha had procured for 11 procurement decisions in the year under review.

That here and after all procurement decisions will be taken with the involvement of an accountant.

The instructions of the circulars 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.133,729,043 as compared with the excess of revenue over recurrent expenditure amounted to Rs.83,770,465 in the preceding year.

2.2 Financial Control

Audit Observation

Comments of the Sabha

Recommendation

Audit Observation

Comments of the Sabha

Recommendation

A fixed deposit of Rs.50,000,000 had been released on 21st December 2023 with the approval of the committee, without proceeding as per paragraph 02.2(1) of the Circular No.2020/06 and dated on 28th October 2020 of the Local Government Commissioner in Central Province.

That kind of mistake will not happen in the future.

Circulars should be followed.

2.3 Revenue Administration

2.3.1 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	2023				2022			
	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates income	27,205,760	27,565,562	29,246,636	16,072,019	27,214,820	26,089,341	26,922,888	17,753,093
(ii) Rent income	2,022,332	3,676,872	3,500,790	176,082	1,117,932	2,124,463	2,181,263	--
(iii) License Fees	3,048,050	10,188,189	9,833,202	413,236	2,215,750	2,409,812	7,566,885	58,249
(iv) Other Revenue	159,077,400	168,643,362	99,425,240	210,999,458	128,011,372	112,908,692	127,782,436	141,781,336
Total	191,350,542	210,073,985	142,005,868	227,660,795	158,559,874	143,532,308	164,453,472	159,592,678

2.3.2 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) The arrears as of 31 st December last year from all sources of income was Rs.159,592,678, the arrears was Rs.227,660,795 while in the year under review which had increased by 43 percent.	That the relevant collections will be done promptly.	Action should be taken to collect the outstanding income.
(b) Rates and Taxes		
In the rates balance of Rs.15,996,887 outstanding as on 31 December of the year under review in respect of a balance of Rs.7,222,097 from 793 properties in which the deficit of one unit exceeded Rs.5,000 and action had not been taken and collected in accordance with Section 158 of the Pradeshiya Sabha Act No.15 of 1987.	That action are being taken to collect arrears of rates revenue	Action should be taken to collect the outstanding rates.
(c) Court fines and stamp duty		
Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 st of December year under review were Rs.1,626,233 and stamp duty was Rs.198,023,051. The value of receivable stamp duty between 01 and 05 years was Rs.110,583,740, and the balance over 05 years was Rs.32,082,625.	That the receivable fees will be collected.	Outstanding revenue should be collected.

2.4 Surcharges

Audit Observation	Comments of the Sabha	Recommendation
According to the provisions of the pradeshiya sabha act imposed a surcharge of Rs.262,608 against those responsible in the previous year and the money had not been recovered by the end of the year under review.	That the relevant collection will be done.	The 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
Transportation of excreta and waste treatment should be done by the pradeshiya sabha but action had not been taken to procure a gully bowser and start a sewage treatment unit according to Sections 93 to 95 of the pradeshiya sabha act.	That the sabha does not have enough suitable land to start a sewage treatment plant, and the necessary technology and workers are needed for this.	The functions of the Act should be performed for the maintenance of public health.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) As of the last day of the year under review, the sum of the 02 receivable accounts balances was Rs.20,407,814 one of which the balance that was overdue for a period of 01 to 05 years was Rs.3,692,872 and the balance that	That will be collected in the future.	The receivable balances should be collected.

was overdue for a period of 05 years was Rs.16,714,942. Had not been collected.

- (b) The total of the 02 creditor balances as of the last day of the year under review was Rs.147,630,635, and a balance of Rs.53,325,108 that was overdue for a period of 01 to 05 years and Rs.5,872,639 that was overdue for a period of 05 years had not been settled.
- That will be settled in the future.
- Payable accounts balances should be settled.

3.3 Operation Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Gazette No. 1891 dated 28 November 2014 in section 12 – 788 declared the entire sabha area as a developed area and informed that all the properties in the sabha area will be valued and the rates collection will begin in the year 2015, but by 31 December of the year under review 09 years has passed, due to failure to carry out valuation of property and collect rates the sabha fund had lost a large amount of rates revenue.	That the relevant charges will be collected immediately after the relevant valuation is done.	The valuation of the property should be done timely and action should be taken to collect the rates.
(b) The National Housing Development Authority has divided the land of 12 acres 03 rood 8.1 perches divided to 40 plots for the residences housing project of the Hantana Estate housing scheme and sold it at the auction, and received Rs.3,072,000 as income of 01	At the time of issuing the compliance certificate difference will be identifying and the relevant amount will be charged.	01 percent tax revenue should be correctly calculated and collected.

percent on the market value before development. Also, after the sale of these land plots the difference between the sale value and the estimated value had not been recognized and collected.

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| (c) | 01 acres 6.3 perches for common land of Hanthana Estate housing scheme is proposed to be given to the pradeshiya sabha for community and recreational activities, but it was observed that this playground is already used by the villagers since before housing scheme this 10 percent of land obtained for public purposes had not been done. | As indicated, the relevant land will be acquired as soon as possible. | Action should be taken to get plots for public facilities. |
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3.4 Visual disturbances

Audit Observation

A tissue culture machine worth Rs.39,965 was given to an employee of the sabha to be distributed to low-income earners from sabha funds and unable to find the people who had issued 02 Over lock machines worth Rs.63,800 which had been given to two beneficiaries. It was observed that an irregularity had been occurred.

Comments of the Sabha

That equipment is provided to self-employed persons on the approval of the General meeting.

Recommendation

Beneficiaries should be properly identified and aid should be given.

3.5 Ideal or Under-Utilized Property, Plant and Equipment

Audit Observation

- (a) 07 land plots worth Rs.9,615,052 and 04 land plots whose value has not been calculated taken over for the public purpose from the land auctions held in the sabha area remained idle.

Comments of the Sabha

That the relevant matter will be investigated and reported

Recommendation

The land should be used for objective purpose.

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| (b) | A compactor trailer worth Rs.1,400,000, a trailer with an unmeasured value and a stock of water equipment worth Rs.648,716 belongings to the sabha remained idle or underutilized since 06 years. | That the necessary actions will be taken regarding this. | The relevant actions should be completed immediately. |
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3.6 Assets Management

Audit Observation	Comments of the Sabha	Recommendation	
(a) Failure to ensure security of assets			
(i)	The boundary fence of the land had not been built and security had not been established where the Dambawela cemetery is located, which is more than an acre in area and which was received as a donation to be used by the sabha. An outsider had occupied this cemetery land illegally and built a house, but no action was taken against the unauthorized construction.	That the action will be taken regarding the un authorized construction and confirm the security in future.	The ownership of the land should be taken over and action should be taken to remove the un authorized construction.
(ii)	A printer machine and a tab owned by the sabha had been given to a member of the sabha, and these equipment had not been recovered after the dissolution of the sabha.	Informed in writing to take necessary actions to hand over this tab machine and printer machine.	Action should be taken to get back the machines to sabha.
(iii)	It is observed that the owner of the Paradise Park hotel has built a swimming pool on a plot of 1.8 perches of the land given for public purposes in the land called Hirassagala Estate Richmond Hill Estate owned by the pradeshiya sabha. The action had not been taken to settle this land plot.	That it was decided to measure this land again.	The action should be taken to settle the land.

(b) Failure to maintain and repair

The lift in the pradeshiya sabha building was installed in April 2015 and remained inactive since 22 May 2023. The lift had been repaired at a total cost of Rs.204,160, in the year 2023 but the machine remained inoperative as at the audit date of 21 February 2024.

Only contract fees and battery related payments have been made and a new service contract will be signed and repairs will be carried out.

The lift should be repaired.

3.7 Procurement Management

Audit Observation

For the repair of the CCTV camera system installed in 05 premises of the sabha, 03 suppliers called for quotation and the supplier who offered the lowest price had spent Rs.543,550 and the repair was done. It was observed that the other two suppliers are not registered suppliers in the sector.

Comments of the Sabha

Since no agency was registered with the sabha regarding CCTV, inquiries had been made to the agencies registered under computers and computer accessories.

Recommendation

Acts, rules and procurement guidelines should be followed

3.8 Deficiencies in contract administration

Audit Observation

(a) While the Building and Highway schedule rates were revised for the second half of 2023, estimates were prepared based on the rates of the first half of 2023 and an amount of Rs.2,500,881 was overpaid for 28 projects of construction of roads, drains, culverts and bridges and fences.

Comments of the Sabha

That the amount paid in excess will be charged from the retention to be released in the future for those contract societies.

Recommendation

Officers who made estimates and recommended for payment without complying with Highway schedule Rate (HSR) should be identified and action should be taken.

(b) Concreting of the road from Dambawela main road to the cemetery - Rs.2,000,000

Although estimates were prepared to concrete the road, a 17.6 meter retaining wall was being constructed on the boundary of a private landowner's land out of the approved estimate. Also, an estimate of Rs.3,000,000 had been prepared and contracted for widening the road to a width of 12 feet at the beginning of 200 meters and 24 feet after 200 meters. An amount of Rs.1,918,052 has been paid for this. It was a useless expenditure to build the road more than the approved amount without need and spending Rs.3,820,000 for it.

As it was difficult to certainly identify all the work sections in the initial stage, as the run on the concrete pavement with slopes is difficult, the initial estimate is revised based on the joint field inspection and the prior approval obtained for the concrete paving of the road as well as the removal of stones to be demolished on the road is submitted.

The need should be identified and action should be taken.

(c) Development of Talapiyannawa Ampitiya Road from Good Hope Junction - Rs.11,150,000

According to Section 24 of the pradeshiya sabha Act, road expansion should be measured and permanent markings should be applied, but the construction of the road was started without following those instructions, and according to the Local Government Commissioner's circular dated 17 March 2023 and No. S1/4/10, had been arranged to enter into a contract with the Ampitiya Gangahawela community Development Society for an amount of Rs.5,000,000 without preparing the estimate.

Acknowledging the facts pointed out by the audit, care will be taken to avoid wrong doings in future development projects.

Professionalism and formal actions should be followed.

Also, during the physical inspection of the road, the road with a width of about 03 meters was planned to be widened to a width of about 06 meters and retaining wall were planned, and during the road widening unable to expand from those places due to non-grant of land of some landowners was observed.

(d) Road near Ms. Priyanthi's house on Ogastawatta City Mission By road Rs.1,000,000

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| (i) | Although the concrete layer of the road should be laid in the thickness of 05 inches, but when it was damaged in 02 places of the road the thickness was 2.75 inches and 3.00 inches. Accordingly, it was observed that the road was not built to the proper standard, and the stones were loose due to the decrease in the thickness of the road. | Based on the reports of the technical officer, a notification has been given to the concerned contract society to repair this road. | Action should be taken regarding the non-construction of the road to the estimated standard. |
| (ii) | On this road, 03 concrete quality tests were done and according to those tests the quality of the road was at a poor level. | The technical officer has reported that he had to recommend to be tested again | Action should be taken regarding the non-construction of the road to the estimated standard. |

- (iii) Although this road was to be completed within 03 months i.e. on 27th May 2023 after the contract was signed on 27th February 2023, the project was not completed during that time.
- That the overpaid will be collected.
- Action should be taken regarding non contracted with the Highway Schedule Rates. (HSR)

Despite the reduction in Highway Schedule Rates (HSR) during the last half year of 2023, in concreting of 1:2:4 mm 19 for this road which started on 23rd July 2023 and completed on 29th July 2023, Road Standard Rate No. ST 047 according to this, although the rate of Rs.27,427.48 should be used, due to the use of the rate of Rs.31,667.71, an extra payment of Rs.111,306 was made at Rs.4,240.23 per 26.25 cubic meters.

3.9 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Comparing the approved carder and actual carder of the sabha at the last date of the year under review there were 11 vacant posts and 20 excess posts.	That the duties have been assigned to all the excess officers and that the relevant institutions have been informed about the vacancies	Action should be taken to complete the vacancies.
(b) A grade II health labour who worked in Medadumbara pradeshiya sabha was assigned to Kandy Four Gravates and Gangawata Korale pradeshiya sabha without giving any reasonable fact.	After the attachment period ends, the attachment period will not be extended again.	Attachments should be done up to the respective causes.

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| (c) | As at 31 st December of the year under review, employee loans of Rs.1,213,233 had not been collected from 27 officers who were transferred, retired and vacated of post. | That the relevant collection will be done. | The employee loans should be collected. |
| (d) | According to the transfer policy for officers of the Central Provincial Public Service, although officers who have completed more than 05 years of service in the same post should be subject to transfers, transfers for 03 officers serving in the pradeshiya sabha for more than 05 years received but not released. | That the officers will be released from this service station. | Officers should be given transfers in due time. |

3.10 Management of Vehicle System

Audit Observation

The audit did not confirm whether the fuel consumption had been done properly that the milo meter of 03 vehicles belonging to the sabha was inactive, and as they had not been repaired.

Comments of the Sabha

02 vehicles have been sent to the agent for repairs and the agent has informed that the other vehicle does not have a meter.

Recommendation

Action should be taken to repair the milo meters.