

Ududumbara Pradeshiya Sabha – 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ududumbara Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of Financial Position as at 31 December 2021, Statement of Financial Operations for the year and Cash Flow Statement, 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 Sub-Section 172 (1) of the Pradeshiya 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 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 Ududumbara Pradeshiya Sabha as at 31 December 2021, 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 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 Requirements**

National Audit Act, No. 19 of 2018 includes 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 as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 **Audit Observations on the preparation of Financial Statements**

Accounting Deficiencies

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
(a) An amount of Rs.44,652 relating to 16 sundry creditors had not been disclosed in the financial statements.	It has been informed that the creditor balances will be included and presented in the preparation of the final accounts of the year 2022.	Financial statements should be prepared accurately.
(b) The value of the land on which the building stands is Rs.200,000 shown in the fixed asset register and 04 lands of unspecified value had not been assessed and disclosed in the financial statements.	It had not been informed that the values will be assessed and accounted for in the future.	Fixed assets should be properly accounted for.
(c) Although the details of land and 3 buildings owned by the Sabha as on 31 December of the year under review were included in the financial statements, their values had not been calculated.	It had not been informed that the values will be assessed and accounted for in the future.	Values of assets should be calculated and financial statements should be prepared accurately.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Following are the instances of non-compliance with laws, rules and regulations observed during sample audits

Reference to Laws, Rules Regulations etc.	Non- Compliances	Comments of the Sabha	Recommendation
Section 104 (4) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although a full report regarding the drum truck belonging to the Sabha which had an accident on July 18, 2020 should be submitted within three months from the date of the accident, the relevant investigation board was appointed on January 06, 2021, almost 06 months after the accident. Also by the audit date of January 03, 2022 even though more than a year had passed, the relevant report had not been submitted.	It has been informed that the relevant report will be provided immediately.	Financial regulation 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 31 December 2021 amounted to Rs. 3,180,488 as compared with the excess of revenue over recurrent amounted to Rs. 5,961,982 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
As on December 31 of the year under review, the assessment in arrears was Rs.525,589 and among them, the arrears of assessments for a period between 1 to 5 years and more than 05 years were Rs.223,556	That the arrears of Rs. 411,300 will be recovered by conducting Mobile	Act should be followed.

and Rs.30,213 respectively. It had not been complied with Section 158 of the Pradeshiya sabha Act No. 15 of 1987 in relating to the collection of arrears of assessment.

services.

(b) **Shop rent**

According to a government assessment dated May 22, 2018, the contracts had been entered into for 15 shops owned by the Sabha, the relevant rent was not charged. The total shop rent due on December 31 of the reviewed year was Rs.2,444,655 and Among the total shop rent, the arrears of shop rent related to the reviewed year was as high as Rs. 1,189,611 or 48 percent of the total arrears.

Legal proceedings are being conducted to recover an amount of Rs.1,685,705 and shop owners have been informed to recover the outstanding amount.

Rent should be charged as per agreement.

(c) **Other income**

As on December 31 of the year under review, the balance of outstanding water charges was Rs.872,154. Among them, the outstanding water charges to be collected from Ududumbara District Hospital was Rs.139,110, and the outstanding water charges between 1 year to 5 years and more than 5 years were Rs.148,959 and Rs.155,940 respectively.

Notice has been made for recovery of fees and cases have been filed in the Conciliation Board.

Arreas should be collected as per the Contract.

3. **Operational Review**

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.

3.1 **Informal transaction**

Audit Observation	Comments of the Sabha	Recommendation
-----	-----	-----
(a) Rs.1,807,305 had been spent from the Pradeshiya Sabha fund for 04 Projects which were to be carried out by utilizing the financial allocations of	According to the instructions of the honorable chairman, the money was paid from the Sabha fund as an advance	Advances paid should be charged.

external institutions in contrary to the section 132(a) of the Pradeshiya Sabha act No. 15 of 1987, and the said amount was not recovered as on 31st December of the year under review.

payment and It has been informed that the advance payment will be settled as soon as the relevant money is reimbursed.

3.2 **Idle or underutilized Property, Plant and Equipment**

Audit Observation	Comments of the Sabha	Recommendation
-----	-----	-----
(a) 4 idle vehicles worth Rs.2,124,170 were parked in the Tissa Attanayake Hall area belonging to the Sabha without being repaired and put to use or auctioned.	That the relevant vehicles will be repaired and put into use	The concerned vehicles should be repaired and put to use or if they cannot be repaired, should be disposed.
(b) 03 vehicles worth Rs. 30,010,323 received in the years 2015 and 2019 had been parked in the conference hall and garbage yard of the Sabha without using as of the audit date of March 10, 2022.	That the vehicles will be used after the relevant drivers are recruited.	The concerned vehicles should be repaired and put to use or if they cannot be repaired, action should be taken to dispose.