

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Uva Paranagama Pradeshiya Sabha for the year ended 31 December 2023 comprising the financial position as at 31 December 2023 and statement of financial operations, cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other clarifications 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 subsection 172(1) of the Pradeshiya Sabha Act No.15 of 1987 and the provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported 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 Uva Paranagama Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 Principles and for such internal control as management determines 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 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 to be prepared of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 exercise professional judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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
- An understanding of internal control relevant to the audit was obtained 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 the Pradeshiya Sabha's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the 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 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 discussions issued by the governing body of the company
- Whether the pradeshiya Sabha 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 the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- (a) The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- (b) The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit Observations in relation to the preparations of the financial statements

1.6.1 Accounting Deficiencies

Audit Observations	Comment of the Council	Recommendation
(a) As at 31 December in the year under review, the value of Rs. 153,963,289 of 29 buildings had not been accounted.	It will be rectified in the preparation of the financial statements in the future.	The accounts should be accurately prepared.
(b) The value with regard to 79 industries which had not been carried out the constructions worth of Rs. 4,831,577 panned to be implemented to since 2019 to 2022 had been accounted as the creditors.	It is expected to remove the industries which can't be implemented from the creditors' list.	-Do-
(c) As at 31 December in the year under review, aggregate of Rs. 319,096 as payable electricity, telephone and overtime had not been identified as accrued expenses and accounted.	The action will be taken to rectify in preparing the financial statements in the next year.	-Do-
(d) In relation to the year under review, receivable preschool fee of Rs. 199,000 had not been accounted.	-Do-	-Do-

1.6.2 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Council	Recommendation
It couldn't be satisfactorily inspected in the audit in relation to 438 units worth of Rs. 7,376,603 furniture and fittings and 264 units of machineries and equipment worth of Rs. 16,526,550 due to not clearly identification of updated fixed assets register, schedules and physical existence.	The balance of furniture and fittings and balance of plant and machineries will be submitted with annexure.	The evidences which verify the balances shown in the financial statements should be submitted.

1.7 Non-Compliance

Non-compliances with laws, rules, regulations and management decisions

It had not been complied with the laws, rules, regulations and management decisions in the following incidents.

	Reference to laws, rules and regulations	Non-compliance	Comment of the Council	Recommendation
(a)	Financial Regulations of Democratic Socialist Republic Of Sri Lanka	10 various balances worth of Rs. 75,210 expired had not been settled.	The action will be taken to include the deposits more than 02 years in the income.	The expired deposits should be settled.
(b)	Public Administration Circular No. 26/92 dated 19 August 1992	The state emblem and name of the institution had not been painted in the body of 10 vehicles.	This activity is being carried out.	The action should be taken as per the instructions of the circular.

2. Financial Review

2.1 Financial Results

In accordance with the financial statements submitted, the income exceeded the recurrent expenditure for the year ended 31 December of the year under review was Rs. 25,859,622 and correspondingly, the income exceeded the recurrent expenditure of the sabha was Rs. 23,018,030 in the preceding year.

2.2 Income Administration

2.2.1 Estimated Income, Billed Income, Collected Income and Outstanding Income

As per the information submitted by the Secretary of Sabha, the information on estimated income, billed income, collected income and outstanding income is follows in relation to the year under review and the preceding year.

Income Source	2023				2022			
	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment Tax and other Taxes	4,519,540	7,240,850	4,351,273	2,889,576	3,269,540	3,548,626	1,872,425	1,676,201
(ii) Rents	6,664,750	5,452,416	4,936,054	516,361	5,073,480	3,902,785	3,268,841	633,945
(iii) License Fees	1,570,000	1,294,255	1,294,255		1,205,000	1,250,754	1,249,754	1,000
(iv) Other Income	27,475,500	15,521,055	11,412,146	4,108,908	5,260,000	8,792,616	5,860,915	2,931,701
Total	40,229,790	29,508,576	21,993,728	7,514,845	14,808,020	17,494,781	12,251,935	5,242,846

2.2.2 Income Collection Performance

The observations in relation to the income collection performance of sabha are as follows.

	Audit Observation	Comment of the Council	Recommendation
(a)	As at 31 December of year under review, outstanding water tariff of Rs. 862, 645 had not been charged.	The action will be taken to recover the outstanding water tariff.	The action should be taken to recover outstanding income.
(b)	As at 31 December of year under review, outstanding rents of Rs. 380,579 had not been recovered.	Having made aware the lessees, the steps should be immediately taken to recover.	The action should be taken to recover outstanding income.
(c)	As at 31 December of year under review, receivable court fines of Rs. 16,236,098 and stamp duty of Rs. 24,905,646 had existed.	No answer had been given.	-Do-

3. Operating Review

3.1 Discharging of functions entrusted by the Act

The facts observed in relation to regularization and control of the matters on public health, common utility services and common thoroughfares under section 3 of Pardeshiya Sabha Act and the functions to be performed by sabha such as wellbeing, convenience and welfare of the people are mentioned below.

Audit Observation

Even though the public toilet facilities should be provided by sabha in all places where the people frequent within the jurisdiction of sabha, adequate latrine and sanitary facilities had not been provided in Boburu Ella tourist area where a large number of local visitors and tourists come.

Comment of the Council

A land had been given by Divisional Secretariat for providing public toilet facilities and the action will be taken to perform the relevant task after transferring the land legally.

Recommendation

The sanitary facilities required for the public should be supplied.

3.2 Uneconomic Transactions**Audit Observation**

1000 certificates printed by incurring Rs.49, 000 for providing to the students who learn in pre-school development centres in the jurisdiction of sabha had not been issued in the year under review.

Comment of the sabha

The certificates had been printed from the Uva Provincial printing house on the instructions of former Chairman.

Recommendation

The money should be utilized having identified the requirements.

3.3 Management Inefficiencies**Audit Observation**

Even though a new engine had been fixed by changing the engine of double cab in 2012 belonging to sabha, new engine number had not been inserted into vehicle registration certificate.

Comment of the Council

It is expected to insert new engine number into vehicle registration certificate having carried out repairs.

Recommendation

The vehicle registration certificate should be taken under new engine number.

3.4 Assets Management**Audit Observation**

The manufacturing activities of the industry of manufacturing of inter locks maintained by sabha had been stopped since 2017 and 02 inter locks manufacturing machines worth of Rs. 810,000 and Rs. 745,000 had been idle.

Comment of the Council

It had been recommended to auction by the board of survey 2023.

Recommendation

The assets should be efficiently and maximally utilized.

3.5 Human Resources Management

Audit Observation	Comment of the council	Recommendation
15 Development Officers had been approved to Pradeshiya sabha and as 32 officers had been engaged in the service, there was an excess of 17 Development Officers.	The answers had not been given.	The excess staff should be approved.