

Ukuwela Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ukuwela Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, for the year then ended and 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 read in conjunction with sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 Ukuwela 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 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 (1)16 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 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

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	During the year under review, 14 double-sided bookcases acquired at a cost of Rs.629,200 were under accounted for, as Rs.484,000 by Rs.145,200.	It will be corrected by the account of the year 2024.	Accounts should be correctly prepared.
(b)	The amount of Rs.132,503 paid in the year 2024 for water and electricity related to the reviewed year was not accounted as an expense of the reviewed year.	-Do-	-Do-
(c)	A total of 7015 units of stationery worth Rs. 368,240 mentioned in the warehouse stock registry were not included in the financial statements.	-Do-	-Do-

1.6.2 Documentary Evidences not made available for Audit.

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of fixed asset registry and files related to balances of Rs.14,267,873 in the total of 03 account subjects stated in the financial statements as at the end of the reviewed year, it was not possible to verify satisfactorily during the audit.	The information will be identified and updated in the year 2024.	Documents and files should be maintained to verify each balance.

1.7.1 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc...

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows.

Reference to Laws, Rules Regulations etc	Non-compliance	Comments of the Sabha	Recommendation
(a) Parliament Acts			
(i) Section 4(1) of the Local Authorities (Standard By-laws) Act No. 06 of 1952, by-laws regarding the parking of three-wheelers	The places where three-wheelers are to be parked in the Sabha area and the maximum number of three-wheelers to be parked at each park should be decided and published through a gazette, but this has not been done.	Since there are no recommendations from the Road Development Authority and the Provincial Road Development Authority, it has become difficult to proceed.	The provisions of the Act should be followed.
(ii) Pradeshiya Sabha Act No. 15 of 1987 Section 24	Although 696 were mentioned in the gazette as Gamsabha roads in 1963, After that, no arrangements were made to re-gazette and publish the changes in the roads belonging to the Sabha.	The roads will be surveyed and maps will be prepared and the work necessary to gazette will be carried out.	The provisions of the Act should be followed.

(b) Pradeshiya Sabha
(Finance and
Administration) Rules
1988

Rule 61

Conducting a survey related to trading industry and business licenses, without recording the information in the PS26A form according to the information of the survey report, An informal system of recording license fees at the time of payment was followed.

As per form P.S 26, it will be documented in future.

It should act according to the rules.

(c) Circulars

Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016

In relation to 10 vehicles in running condition owned by the Sabha, the fuel combustion test had not been carried out for a period between 1 to 12 years.

The fuel tests will be conducted in the future.

Circular instructions 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 2023 amounted to Rs.14,736,339 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 32,311,455 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 Secretary of the Sabha 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	2023				2022			
	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	901,000	929,923	1,124,437	255,196	2,101,000	2,111,813	2,425,177	449,710
(ii) Rent	1,300,000	2,184,295	2,594,072	36,940	4,000,000	1,239,710	1,416,971	446,717
(iii) License Fees	120,000	163,950	163,950	-	1,110,000	546,330	546,330	-
(iv) Other revenue water	4,500,000	6,394,048	5,393,065	2,580,547	5,000,000	3,749,009	4,437,448	1,579,564
Total	6,821,000	9,672,216	9,275,524	2,872,683	12,211,000	7,646,862	8,825,926	2,475,991

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			
(i)	In terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987, Arrears of assessment charges income of Rs.202,636 due from the 69 properties with an assessment arrears of more than Rs.1,000 had not been collected.	The outstanding amount will be collected during the months of May and June through mobile service programs.	Actions should be taken to recover the arrears of income.
(ii)	As on December 31 of the year under review, outstanding assessment fees of Rs.119,414 from 25 assessment units of private and public institutions, from a period of 2 to 15 years had not collected	There is no possibility of taking legal action to recover the arrears of assessed tax on government properties.	Actions should be taken to recover the arrears of income.
(b) Stall rent			
	Due to non-collection of Stall rent, according to the valuation report of the valuation department on December 15, 2021 and November 16, 2022,, Stall rental income of Rs.751,500 was not collected from 16 Stalls during the period from January to December of the reviewed year.	Even if there is a delay due to uncontrollable matters, it has not been deliberately acted to cause loss to the Sabha.	As per the assessed rent of the Valuation Department, arrangements should be made to collect rent.

3. Operational Review

3.1 Management inefficiencies

The following observations are made.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Along with Rs.560,776 due to the sabha as property loan interest reimbursement, the total of 4 accounts receivable balances as at the end of the year under review of Rs.3,819,059 had not been recovered and Out of this, the balance with uncollected period more than 1 year and less than 5 years was Rs.635,734, and the balance of more than 5 years was Rs.663,840.	It is a total of the amount due to us from the interest incurred by the government for the property loan and the arrears will be recovered.	Actions should be taken to recover the arrears.
(b)	A total of Rs.12,853,802 had not been settled for 34 development projects due on the end of the year under review and therein the balance with the outstanding period, of more than 1 year and less than 5 years was Rs.7,685,168 and the balance of more than 5 years was Rs.332,813.	It will be corrected in the future.	Arrangements should be made to settle the payable balances
(c)	Environmental protection permits were not issued to 05 Saw mills, carpenters' shed and Grinding mills, and due to this, a total income of Rs.59,700 had been lost.	So far 5 businesses have been issued trade licenses and one business had wound up	Licenses should be issued and fees charged under proper supervision.

3.2 Asset management

	Audit Observation	Comments of the Sabha	Recommendation
	The ownership of 67 lands whose value was not assessed and the ownership of 11 lands worth Rs.13,756,000 had not been taken over.	Action will be taken to take over the ownership of the land.	Arrangements should be made to take over the ownership of the lands.

3.3 Human Resource Management

	Audit Observation	Comments of the Sabha	Recommendation
	In the inspection of approved staff and actual staff of Ukuwela Pradeshiya Sabha, there were 13 vacancies in 10 posts and 11 excess in 02 posts as on 31st December of the year under review.	The relevant institutions have been informed about these positions through monthly staff reports.	Arrangements should be made to maintain the approved staff.

