

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Uhana Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement for the year and 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 Sub-section 10 (1) 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 Uhana Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows 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 Scope of Audit (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 skepticism 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

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) A sum of Rs. 1,001,348, which was over-accounted under Industrial Debtors in the year 2023, had been credited to the Capital Receipts Account.	Action will be taken to correct during the preparation of the future accounts.	Should be accounted for correctly.
(b) The total payable amount of Rs.1,069,978 for the year under review relating to living expenses, allowances for purchasing magazines, allowances for overtime work, fuel allowances and library book purchases had not been identified and presented in the annual financial statements.	Action will be taken to correct during the preparation of the future accounts.	All expenses should be accurately accounted for.
(c) The stamp duties receivable from the Chief Secretary of the Provincial Council and other authorities for the year 2024 had not been identified and accounted for in the final accounts.	Action will be taken to correct during the preparation of the future accounts.	All income should be accurately accounted for.

1.6.2 Unreconciled Control Accounts or Records.

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 6,637,411 between the balances as per the financial statements and the balances as per the schedules submitted for 07 accounting items as at 31 December of the year under review.	Action will be taken to update the documents.	The discrepancies should be identified and action should be taken to correct them.

1.6.3 Lack of Written Evidences for Audit

Audit Observation	Comments of the Council	Recommendation
Due to the absence of evidence such as balance confirmations, schedules and employee security documents, etc., relating to 04 accounting items amounting to Rs. 2,594,778 as per the financial statements, it was not possible to satisfactorily examine them.	That it was not possible to find information to confirm these values.	Necessary action should be taken to confirm the settlement of balances.

1.7 Non-compliance

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

Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions etc.	Non-compliance	Comments of the Council	Recommendation
Pradeshiya Sabha (Financial and Administrative) Rules, 1988			
(i) Rule 5(xii)	Although action should have been taken to obtain sufficient securities from the officers responsible for cash and stores operations, it had not been done.	That the steps will be taken to obtain securities from officials in accordance with the relevant circulars.	Financial and administrative rules should be followed.
(ii) Rule 33	The Sabha had not paid sufficient attention to preparing lists of rates and taxes defaulters and taking action to seize their properties.	That arrangements have been made to identify those with tax arrears, collect rates and taxes through mobile services, and thereby seize the property of tax defaulters.	Financial and administrative rules should be followed.
(iii) Rule 59 and 67	Although the Revenue Inspector or an officer authorized by the Chairman should have conducted a survey within the Pradeshiya Sabha area at the beginning of each year and prepared a list of trades and industries, and submitted it to the Secretary of the Council on or before 31 March of each year, this had not been done.	Action will be taken to prepare a list of commercial businesses and industries in the future.	Financial and administrative rules should be followed.

- (iv) Rule 218 Although all lands and buildings owned by the council should be inspected at least once a year, no action had been taken accordingly. That statement will be prepared and presented in the future. Financial and administrative rules should be followed.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of Recurrent Expenditure over income of the Sabha for the year ended 31 December 2024 amounted to Rs.740,544 against with the excess of income over recurrent expenditure amounted to Rs.1,559,586 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 submitted, 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	2024				2023			
	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	5,686,931	5,725,962	3,188,463	7,029,869	3,244,785	2,108,779	1,901,676	4,492,369
ii. Rent	10,813,200	6,291,479	6,246,845	376,941	13,476,200	5,225,212	5,056,778	332,308
iii. License Fee	1,011,000	599,500	599,500	-	1,451,000	519,500	519,500	-
iv. Other Revenue	1,807,000	1,887,021	1,887,021	-	2,507,000	3,586,267	3,586,267	-
Total	19,318,131	14,503,962	11,921,829	7,406,809	20,678,985	11,439,758	11,064,221	4,824,677

2.2.2 Performance in Collecting Revenue

The following are observations made on the performance in collecting revenue.

	Audit Observation	Comments of the Council	Recommendation
(a)	The amount of outstanding rates and taxes to be collected as at 31 December of the year under review was Rs. 7,029,869, which was nearly double the estimated value for the year of Rs.4,287,951.	That the quarterly notices will be issued and efforts will be made to collect the arrears.	Arrears of revenue should be recovered promptly.
(b)	The outstanding shop rent income due as at 31 December of the year under review was Rs.376,941, of which Rs.332,307 had to be recovered for a period of 01 to 07 years.	The security deposit will be settled for the shop rent and appropriate legal action will be taken in the future regarding the remaining outstanding amount.	Legal action should be taken to promptly recover the outstanding revenue.

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| (c) | The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2024 amounted to Rs.953,789. | That a portion of the outstanding revenue has been received so far. | Steps should be taken to collect the outstanding amounts promptly. |
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.3 Operational Review

3.1 Performing the 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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation

Matters requiring the imposition of by-laws under Section 126 of the Pradeshiya Sabha Act had not been identified and steps had not been taken to impose by-laws.

Comments of the Council

That steps will be taken to identify the by-laws to be enacted, prepare them, and have them approved in the future.

Recommendation

By-laws should be enacted to legalize the activities of the council.

3.2 Management Inefficiencies

Audit Observation

- (a) The Pradeshiya Sabha does not have a solid waste management unit and during the year under review, waste collected at a cost of Rs.526,457 was transported to the Waste Management Center belonging to the Ampara Urban Council. Accordingly, the Sabha had not paid sufficient attention to establishing a separate Waste Management Center for the Pradeshiya Sabha.

Comments of the Council

That action has been taken through the Divisional Secretary to reserve a plot of land, and steps will be taken to establish a waste management center in the future.

Recommendation

Steps should be taken to establish a waste management center.

- (b) The Sabha had given an advance of Rs.1,314,000 to the contractor out of the Rs.1,789,907 received in 2016 for the construction of the Solid Waste Management Center under the financial allocations of the Central Environmental Authority. The construction work had been abandoned without commencing due to public opposition, but the Sabha had not taken steps to recover the said advance from the contractor for more than 07 years.

Action will be taken to resolve the matter in the future.

Steps should be taken to recover the advance amount promptly.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The value of 44 cemeteries and 05 playgrounds belonging to the Sabha had not been identified and accounted for.	These lands are currently being taken over in the name of the Sabha and once they are taken over, they will be assessed and taken into account.	The value should be identified and accounted for.
(b)	The Sabha had not taken action either to repair and reuse the 10 vehicles it owns, or to hand over the unrepairable vehicles to the relevant institutions for sell them at auction.	The Deputy Chief Secretary (Finance) has been informed several times to auction these vehicles.	Action should be taken urgently to auction the vehicles.
(c)	The necessary steps had not been taken to transfer the ownership of 05 vehicles, which are in the custody of the Sabha, to the name of the Sabha.	The transfer of ownership of two vehicles is underway, and the acquisition process has been halted as it is not possible to complete the M.T.A. 06 form for the remaining vehicles.	Action should be taken to transfer ownership of the vehicles in the custody of the Sabha, to the name of the Sabha after consulting the Commissioner of Motor Traffic.

3.4 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
There were 14 vacancies in 08 positions in the Sabha by the end of the year under review.	That the relevant institutions have been informed regarding the vacancies in the Sabha.	Necessary steps should be taken to fill the vacancies.

3.5 Vehicle Fleet management

Audit Observation	Comments of the Council	Recommendation
The Sabha had not taken steps to obtain revenue licenses and insurance certificates for 17 vehicles in used condition in the Sabha's possession.	That, considering the Sabha's revenue situation, action will be taken to obtain the insurance certificates and revenue licenses in the future.	Steps should be taken to obtain revenue licenses and insurance certificates for the relevant vehicles.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Internal audit had not given adequate recommendations to promote institutional operational processes and enhance performance in accordance with Section 40 of the National Audit Act No. 19 of 2018 and Financial Regulation 133(1).

Comments of the Council

Action will be taken to prepare adequate recommendations in the future.

Recommendation

The provisions of the National Audit Act should be followed.

4.2 Audit Committee

Audit Observation

The Sabha had not established Audit and Management Committees and held committee meetings during the year under review in accordance with the Internal Audit Guidelines Circular No. DMA/01–2019 dated 12 January 2019 of the Department of Management Audit.

Comments of the Council

Four meetings, one for each quarter of 2024, and one meeting for the first quarter of 2025 have been held.

Recommendation

The Audit and Management Committee should be established and steps should be taken to hold meetings.

4.3 Budgetary Control

Audit Observation

When comparing the estimated income with the actual income of the Sabha for the year under review, there were variations ranging from 01 percent to 44 percent in 06 income objects, therefore, the budget had not been used as an effective management control tool.

Comments of the Council

That the steps will be taken to rectify it in the future.

Recommendation

The budget should be used as a financial guide.

4.4 Sustainable Development Goals

Audit Observation

The Sabha had not taken adequate measures to collect the necessary data and provide the necessary financial provisions to achieve the sustainable development goals and objectives in accordance with the Sustainable Development Act No. 19 of 2017.

Comments of the Council

The four-year development plan is prepared based on the Sustainable Development Goals and targets, and accordingly, the identified projects are implemented using the Sabha fund and other development projects.

Recommendation

The Sabha should take steps to collect the necessary data and make the necessary financial provisions in accordance with the circular to achieve the sustainable development goals and objectives.