

## **Udapalatha Pradeshiya Sabha – 2024**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Udapalatha Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 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 sub-section 10 (1) of 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 Udapalatha Pradeshiya Sabha as at 31 December 2024, and of its financial performance and for the year then ended in accordance with Generally accepted Accounting Practices

#### **1.2 Basis for Qualified opinion**

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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**

### **1.6.1 Accounting Deficiencies**

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Although the balance of the Fixed Deposit Interest Account receivable as at the end of the year under review was Rs. 712,524, it was recorded as Rs. 1,698,514, and overstated by Rs. 985,990.	It will be corrected in 2025.	Income should be accounted for correctly.
(b)	Although the fixed deposit interest income for the year under review was Rs. 12,912,255, it was recorded as Rs. 13,905,245, and overstated by Rs. 992,990.	- -Do- -	- -Do- -
(c)	A total of Rs. 2,450,000 of 09 development projects that were not completed as of the end of the year under review were shown under creditors of the year under review.	It will be corrected in the future.	Creditor balances should be identified and accounted for.

### **1.6.2 Documentary Evidences not made available for Audit**

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
	Due to the non-submission of documents and files relating to 03 debtor balances of Rs. 489,257 as shown in the financial statements as at the end of the year under review, it was not possible to satisfactorily verify them during the audit.	Action will be taken to obtain approval to write off the outstanding balances from the books.	Relevant documents, files and schedules should be maintained to verify each account balance.

## **1.7 Non- Compliances**

### **Non-compliance with Laws, Rules, Regulations and Management Decisions**

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

	<b>Reference to Laws, Rules Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	Parliament Acts Section 83.1 of Part VI of the amended Planning and Building Regulations published in the	Certificates of conformity had not been issued for 429	Letters have been sent informing them to take steps	Buildings used for residential purposes should be

Gazette under Section 21 of the Urban Development Authority Act, No. 41 of 1978, published in the Gazette Extraordinary No. 2235/54 dated 08 July 2021, read with Section 08 of that Act.

building plans approved during the period from 2021 to 2024 in the Sabha area.

to extend the validity period or obtain certificates of conformity.

inspected and certificates of conformity should be issued.

**(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

**F.R.571(3)**

15 lapsed deposit balances of Rs. 489,257 relating to the period 2022 - 2023 had not been settled.

Action will be taken in the future to redeem the deposits that can be redeemed and to recover the income.

Lapsed deposits should be settled.

**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 2024 amounted to Rs. 31,179,807 as compared with the excess of revenue over recurrent expenditure amounted to Rs 36,277,350 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.

2024					2023			
Source of Revenue	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	4,324,389	4,121,895	4,368,920	3,171,931	2,345,375	2,858,268	3,533,730	3,418,956
(ii) Rent	6,593,480	5,309,023	5,197,459	2,950,612	6,736,550	4,326,739	4,423,730	2,839,048
(iii) License Fees	5,371,750	5,443,538	4,788,028	7,062,529	1,505,500	1,241,481	1,241,481	6,407,019
(iv) Other revenue	51,039,400	55,383,166	59,870,099	33,467,385	51,653,340	56,176,787	79,988,981	37,954,318
<b>Total</b>	<b>67,329,019</b>	<b>70,257,622</b>	<b>74,224,506</b>	<b>46,652,457</b>	<b>62,240,765</b>	<b>64,603,275</b>	<b>89,187,922</b>	<b>50,619,341</b>

### 2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	<b>Rent</b>  A total of Rs. 2,530,786 in arrears of rent had not been collected from 61 permanent stalls and 10 temporary stalls situated in Pussallawa belonging to the Sabha for the period 2012 - 2014.	Since it is not possible to determine how the arrears was created, Action will be taken to write it off in the future and new agreements will be entered upon and collected in the future.	Every effort should be made to recover the arrears and the write-off should be made later.
(b)	<b>Court fines and Stamp duty</b>  The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as of 31 December 2024 was Rs. 28,996,134.	Only stamp duty has not been charged.	Action should be taken to collect stamp duty.
(c)	<b>Other Income</b>		
(i)	<b>Water charges</b>  Arrears of water charges of Rs. 539,216 in for more than 5 years had not been collected from 65 water consumers in 09 water schemes belonging to the Sabha and Rs. 818,514 had not been collected from 225 water consumers in 10 inactive water schemes.	It had been planned for obtaining approval to write off from the books of accounts and implementing Mobile programs to recover the remaining outstanding amounts.	Arrears of revenue should be collected promptly.
(ii)	<b>Three-wheeler license fees</b>  No action had been taken to recover Rs. 215,100 from 40 three-wheeler owners for more than 3 years,	Action will be taken to recover the amount in the future.	Arrears of revenue should be collected promptly.
(iii)	<b>Advertisement board charges</b>  For more than 03 years, action had not been taken to collect the arrears Advertisement board fees of Rs. 1,584,979 from 05 institutions.	Action will be taken to file a lawsuit and recover the money.	Arrears of revenue should be collected promptly.

### 3. Operational Review

#### 3.1 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
As per the Circular No. 2020/06 of the Commissioner of Local Government dated 28 September 2020, the surplus funds of the Sabha should be invested in projects that can generate revenue for the Sabha, Property development or projects that provide public amenities to the majority of the people, but without doing so, Rs. 159,020,114 had been invested in fixed deposits and Rs. 8,061,721 in the savings account as at the end of the year under review, while a balance of Rs. 24,711,293 remained idle in the current account.	It will be used for investment in the future.	Surplus money should be used for regional development.

#### 3.2 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
As per the Section 127 of the Pradeshiya Sabha Act No. 15 of 1987, the ownership of 68 cemeteries used by the Pradeshiya Sabha had not been taken over.	Actions are being taken to acquire.	Action should be taken to acquire ownership of the properties owned by the Sabha.

#### 3.3 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
When comparing the approved staff with the actual staff as at the end of the year under review, there were 23 vacancies in 11 posts and 16 excess in one post.	Vacancies have arisen due to limited recruitment and excess staffs have been attached after recruitment to the Provincial Public Service.	Staffing should be managed in a way that does not result in vacancies and excess.