

Ukuwela Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ukuwela 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ukuwela Pradeshiya Sabha as at 31 December 2024, and of its financial performance 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 this 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 Sub-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 to be prepared.

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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed 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.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 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 Other Legal Requirements

National Audit Act, No. 19 of 2018 include 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)	In order to rectify the error of not accounting for furniture, fixtures and machinery totalling Rs.156,700 in the previous year, it was credited to the Accumulated Fund Account instead of being credited to the Contributions from the income Account of the year under review.	This error will be corrected when preparing the final accounts for 2025.	Accounts should be prepared correctly.
(b)	The total amount of Rs.2,401,896 spent on construction repairs and computer systems in the previous year and the year under review had not been capitalized.	-Do-	-Do-
(c)	During the year under review, 02 development projects totalling Rs.1,450,000 were accounted for under creditors without entering into contracts.	-Do-	-Do-
(d)	The stationery store sub-register submitted with the account had an understatement of Rs.186,526 in each item.	-Do-	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
The total property loan interest balance of Rs.560,776 as shown in the financial statements as at the end of the year under review could not be satisfactorily examined due to non-submission of Schedules, documents and files.	The Local Government Commissioner has been informed about this and requested to provide the necessary instructions.	Documents, schedules and files to verify account balances should be prepared.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	Parliament Acts			
(i)	Section 20 of the Taxation and Assessment Ordinance No. 30 of 1946	Although the assessment property should be assessed every 5 years and assessment tax should be levied, the assessment was levied based on an assessment carried out in 2014 without taking action accordingly.	We have requested the Valuation Department to conduct a property valuation before the valuation period expires.	Assessment property should be assessed once every 5 years and assessment tax should be levied accordingly.
(ii)	Employees' Provident Fund Act, No. 15 of 1958	In relating to 7 employees working in the field works and earned daily wages, the contributions of Rs. 536,156, which is 8 percent of the gross salary of the employee and 12 percent from the employer, had not been credited to the fund.	The Employees Provident Fund will be credited to this fund in the future.	Employees' Provident Fund contributions should be credited to the relevant fund without delay.
(iii)	Employees' Trust Fund Act No. 46 of 1980	The 3 percent contribution amount of Rs. 80,423 pertaining to 7 daily wage earning employees engaged in field work had not been credited to the fund.	Action will be taken to credit the contributions to this fund in the future.	Employee trust fund contributions should be credited to the relevant fund without delay.
(iv)	Pradeshiya Sabha Act No. 15 of 1987			
	Sections 126 and 127	Action had not been taken to acquire 42 cemeteries and 21 lands occupied by the Sabha within the Pradeshiya Sabha area of authority, valued at Rs. 7,680,000.	Currently, 02 cemeteries have been taken over by the Sabha.	The ownership of the properties should be taken over by the Sabha

(b) Circulars

Circular No. 2016/3 of the Commissioner of Local Government, Central Province, dated 17th March 2016

Paragraph 06	Although a new agreement can be entered into after a new assessment is obtained, the agreements of 11 stalls had not been amended based on 03 new assessments obtained from 2021 to 2024.	A request has been made to the Valuation Department requesting a revised valuation.	The agreements should be amended to include the new rent after obtaining revised valuation reports.
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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. 38,728,386 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 14,736,339 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	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	3,399,000	3,719,090	3,670,859	303,426	901,000	3,294,310	3,481,877	255,196
(ii) Rent	5,570,000	6,598,090	6,596,930	37,500	1,300,000	4,483,819	4,915,356	36,340
(iii) License Fees	2,875,000	2,592,542	2,592,542	-	120,000	2,394,924	2,394,924	-
(iv) Other revenue	59,089,500	62,413,747	61,731,585	3,262,708	4,500,000	44,369,568	43,368,585	2,580,546
Total	70,933,500	75,323,469	74,591,916	3,603,634	6,821,000	54,542,621	54,160,742	2,872,082

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
Rates The arrears of assessment tax as on 31st December of the year under review was Rs.303,427. Out of which, there was an arrears of Rs.171,917 for 61 properties where the arrears per unit was more than Rs.1,000. The provisions of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been followed and collected.	Necessary steps are being taken to recover the arrears of revenue in the future.	The arrears of revenue should be recovered.

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 2 accounts receivable balances as at the end of the year under review was Rs.7,693,081. Therein, the total for the period between 1 and 5 years was Rs.2,009,505 and the balance for more than 5 years was Rs.422,542.	Necessary steps will be taken to recover water charges and industrial debtor balances.	Receivable balances should be collected.
(b) As of the end of the year under review, out of the development project creditor balance of Rs.2,330,026, the balance for the period between 1 and 5 years of Rs.450,000 and the balance for more than 5 years of Rs. 422,542 had not been recovered.	Steps will be taken in the future to remove it from the creditors' register by submitting it for Councils decisions.	Action should be taken to settle outstanding balances.

3.2 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
(a) When comparing the approved staff and the actual staff of the Ukuwela Pradeshiya Sabha, there were 12 vacancies in 09 posts and 11 excess in 02 posts.	Development officers have been deployed to cover the work of the posts, as internal audit officers and in the collection of arrears of revenue.	Vacancies should be filled.
(b) The loan balance of Rs.477,195 due from transferred officers during the period from 2019 to 2024 had not been settled as of 31st December of the year under review.	Steps will be taken to take over the loan balance in the future.	Loan balances should be settled promptly.

