

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ukuwela Pradeshiya Sabha including the financial statements for the year ended 31st December 2021 comprising the Balance Sheet as at 31st December 2021, Income and Expenditure Account 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 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 Ukuwela Pradeshiya Sabha as at 31st December 2021 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 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 Pradeshiy 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 Sabha	Recommendation
(a) Direct remittances amounting to Rs.36,050 had not been accounted for in the bank statement for the month of December of the year under review.	That will be corrected during the preparation of accounts for the year 2022.	Financial statements should be prepared accurately.
(b) Due to the fact that the sum of Rs.422,541 that was due for two development projects and accounted under debtors in the year 2019 was re-accounted as debtors in the year under review; Capital revenue and Debtors had been understated by Rs.422,541.		
(c) Although Rs.2,458,000 was spent for the development of Yalegama Stadium in the year under review, only Rs.1,888,871 was capitalized, so the account of income contributions to capital utilization account and fixed assets had been under stated by Rs.569,129.		
(d) Due to the fact that a court fine income of Rs.192,653 received for the previous year during the reviewed year has not been adjusted to the accumulated fund and the court fine income receivable account, Accumulated Fund and debtors had been understated in the financial statements by that amount.	That will be corrected during the preparation of accounts for the year 2022.	Financial statements should be prepared accurately.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
Although the value of 04 accounts according to the financial statements was Rs.64,526,566, but according to the related schedules, the value was Rs.62,992,976, hence there was a difference of Rs.1,533,590.	That will be corrected during the preparation of accounts for the year 2022.	The balance shown in the financial statements should be compared with the balance shown in the schedules and be corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
03 accounts with a total of Rs.12,532,892 could not be satisfactorily examined due to non-submission of required information.	That will be corrected in the accounts of the year 2022.	Written evidence required for audit should be submitted

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Followings are the instances where laws, rules and regulations were not complied with.

Reference to Laws, Rules Regulations Etc...	Non-compliance	Comments of the Sabha	Recommendation
Central Provinces, Local Government Commissioner's Circular No.2016/3 dated 17 th March 2016 Paragraph 5.1	After 2010, the rents of 45 stalls in the public trade complex owned by the Sabha had not been assessed or the agreement revised.	That the agreements will be renewed after getting assessed revised.	The rent assessment reports should be obtained and the agreements should be revised.

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 31st December 2021 amounted to Rs34,019,555 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 33,184,252 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
(a) Rates -----		
During the year under review, no permit was issued by the Secretary for collection of arrears in terms of sub-section 158(1)(b) of the Pradeshiya Sabha Act No.15 of 1987, and Rs.642,037 were not recovered from 129 assessment units with arrears period of more than one year and more than Rs.1,000 per assessment unit.	That the action will be taken to recover the arrears.	The arrears should be recovered by following the provisions of the Act.
(b) Other Income -----		
(i) From the year 2018, outstanding water charges of Rs.168,398 have not been charged from 59 water consumers of 2 water schemes, which are inactive.	That the irrecoverable arrears be written off.	Action should be taken to recover the arrears of water charges.
(ii) As of December 31 st of the year under review, court fines receivables and stamp duties receivables from the Chief Secretary of the Central Province and other authorities, were Rs.1,382,181 and Rs.35,530,965 respectively.	That letters have been sent to collect court fines and stamp duty.	Actions should be taken to recover the arrears of income.

3. Operational Review

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 03 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
At the end of the year under review, the total of 03 accounts receivable balances amounting to Rs.3,655,055 had not been recovered and It had included Rs.2,229,956 of which the uncollected period is less than 01 year, and Rs.1,242,008 for more than 01 year and less	That the amount due will be recovered.	Receivables should be collected.

than 05 years, and Rs.183,091 for more than 05 years.

3.2 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 23 lands worth Rs.8,800,000 and 43 burial grounds worth Rs.7,680,000 used by the Sabha belonging to the Ukuwela Divisional Secretariat and the Land Reform Commission had not been taken over..	That the Divisional Secretary has been informed to hand over the land	Arrangements should be made to take over the land.

3.3 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
While it is possible to implement directly with a solar system supplier and installer, to implement the project of installing bulbs with 150 watt solar panel systems around the Ukuwela Yalegama stadium; A sum of Rs.206,180 was paid to the contracting society with a profit of 26 percent for 26 units at Rs.7,930 per unit by assigning to a contracting society.	That the contract was awarded to a recognized society as there was insufficient time to call for quotations and follow the procurement process.	The contract should be awarded to an organization with technical capability following the procurement method.