

Uvaparaganagama Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Uvaparaganagama Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 Uvaparaganagama 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

I expressed qualified opinion regarding financial statement 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 pradeshiyasabha financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the pradeshiyasabha 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 pradeshiyasabha, and whether such systems, procedures, books, records and other documents are in effective operation,
- Whether the pradeshiyasabha has complied with applicable written law, or other general or special directions issued by the governing body of the pradeshiyasabha
- 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 include specific provisions for following requirements.

- (a) The financial statements of the pradeshiyasabha 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 of this report 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) The cash flow statement presented for the year under review was not correct and although the correct cash and cash equivalents balance as per the accounts was Rs. 17,732,160, as per the cash flow statement it was Rs. 15,553,043.	That when preparing the financial statements for the year 2025, steps will be taken to adjust the cash and cash equivalents as of 31 st December 2024.	Accounts must be prepared correctly.
(b) Fixed deposit interest income for the year under review was under-accounted by Rs. 557,441.	That the documents will be checked and corrected in next year's financial statements.	The accounts must be corrected.
(c) As at 31 st December of the year under review, the balance of staff security deposits was understated by Rs. 164,308.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
As of the audit observation date of 31 st December of the year under review, the total balances of 03 control accounts were Rs. 86,119,874, while the total as per the schedule was Rs. 88,773,701, a difference of Rs. 2,653,827.	That the documents will be checked and corrected.	The difference between the account and schedule balances should be identified and corrected.

1.7 Non- Compliances

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

	Reference to Non-compliance Laws, Rules Regulations etc.		Comments of the Council	Recommendation
(a)	According to the Pradeshiya Sabha (Finance and Administration) Rules 193, 1988	A statement indicating budget variances and the reasons for them had not been submitted with the financial statement.	In preparing the financial statements for the year 2025, they will be prepared and presented in accordance with the 1988 Pradeshiya Sabha Finance and Rules 193.	All information must be submitted with the financial statements.
(b)	Section 27 of the Land Ordinance	125 cemeteries controlled by the council had not been taken over by the council.	It has been directed to the Local Government Commissioner to obtain assignments for 110 out of 125 cemeteries.	The takeover should be carried out quickly.
(c)	Public Administration Circulars No. 32/91 (iii) dated 10 January 2008 and 12/2021	During the period of 445 days of regular duty at the regular work station from 29th March 2018 to 19th March 2023, excluding the 8 days of official leave per month that are allotted to the officers holding political rights who have been appointed as the chairman of Local Government Institutions to engage in the activities of the Local Government Institution, the official vehicle allocated for the official duties of the former chairman had been misused to 4006 leaters drive a distance of 32047 kilometers, costing Rs. 613,720.	No comments.	An investigation should be conducted and its recommendations should be acted upon.

(d)	Rule No. 02 of the Extraordinary Gazette No. 2122/29 dated 08 May 2019	A former chairman of the Pradeshia Sabha had received Rs. 190,500 as a composite allowance for 224 days when he was not engaged in official duties in the area, and Rs. 100,450 as a composite allowance had been paid to the driver from the council fund.	No comments.	An investigation should be conducted and its recommendations should be acted upon.
-----	--	---	--------------	--

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. 41,865,748 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 25,859,622 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

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

Audit Observation	Comments of the council	Recommendation
Rates and Taxes		
The outstanding water tax of Rs. 17,070 from before the year 2020 and the outstanding water tax of Rs. 500,772 from the year 2020 to December 31 of the year under review had not been collected.	That steps are being taken to recover the amount of Rs. 500,772.	Arrears of revenue should be collected promptly.

2.2.2 Court fines and Stamp duty

Audit Observation	Comments of the council	Recommendation
Court fines of Rs. 14,767,947 and stamp duty of Rs. 46,662,605 which were due to be received from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review had not been collected.	Sub-documents have been prepared and forwarded to the Office of the Commissioner of Local Government for the collection of court fines and stamp duties due for the year under review..	Arrears of court fines and stamp duties should be collected.

3. Operational Review

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

	Audit Observation	Comments of the Council	Recommendation
(a)	The public toilet behind the Lunuwatta Cooperative, the only public toilet owned by the Pradeshiya Sabha, was in a filthy condition and unfit for use.	Due to the shortage of workers in the Pradeshiya Sabha, the Trade Union has been informed to employ a worker and maintain it without charging.	Necessary facilities should be provided to the public in accordance with the Act.
(b)	Although the Uvaparaganagama Divisional Secretary had allocated land plots to provide the necessary sanitary facilities for the Bomburu Ella tourist zone, no action had been taken to commence the relevant construction work.	Estimates are being prepared to construct a toilet system. Since this will involve a large cost, the Department of Local Government has requested funds from the Ministry of Tourism.	-Do-
(c)	A balance of Rs. 72,260,163 was retained in fixed deposits as at 31st December of the year under review without making any provision for expenditure through the budget.	That the fixed deposits will be released by a resolution of the General Assembly and used for development projects in the year 2025.	Council funds must be used to carry out the powers and functions assigned to the Pradeshiya Sabha.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
While 106 applications submitted for obtaining the recommendation of the Medical Officer of Health for the issuance of trade licenses for the year under review had not been given the recommendation by the end of the year under review, those businesses were continuing to conduct business activities without trade licenses.	Although the business has been referred to the Medical Officer of Health to obtain business licenses, it has not been possible to issue business licenses due to the delay in providing recommendations.	The Medical Officer of Health should be informed and recommendations should be obtained promptly.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
(a) Although the Urban Development Authority had developed the Uvaparanagama market, 04 fish stalls and 06 stalls at a cost of Rs. 94,068,736 in 2021, the market, 01 fish stall and 06 stalls remained idle without being used for business activities.	The council receives monthly rent by leasing out 3 of the 4 stalls built at the Lunuwatta Market, but despite tendering for the remaining stalls, no buyers have come forward.	Should be used to generate alternative income.
(b) Seven plots of land assigned to the council during the sale of land within the council area remained idle as of December 31 of the year under review without being used for any public welfare purpose.	A security fence has been constructed on one of those land plots, and steps will be taken to construct fences for the remaining lands in the future.	The existence and security of assets must be ensured and they must be utilized effectively.
(c) Although a baler machine worth Rs. 2,590,000 and a bag sewing machine worth Rs. 49,900 had been purchased with the aid of the Local Development Support Project for waste management activities, these machines remained unused and idle until the end of the year under review.	That the necessary committee approval was received on 2 nd of May 2025 to obtain the baler belts and necessary equipment for the baler machine, and that measures will be taken to call for quotes, install the necessary equipment, and put this machine into use.	Waste management should be carried out efficiently using the machine.

3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
As per the goods survey report as on 31st December 2023, action had not been taken in accordance with Sections 103 and 104 of the Financial Regulations regarding 07 units of goods belonging to 06 categories of deficient goods worth Rs. 353,164.	Relevant reports have been submitted to the Department of Local Government to conduct an investigation in accordance with Financial Regulations 103 and 104 in this regard.	Financial regulations must be followed.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
According to the approved staff report for the PradeshiyaSabha, 18 officers had been employed in excess of the approved staff for 07 posts and one post of Librarian remained vacant.	Officers have also been attached to this institution based on appointments made by the Public Service Commission, and they have been assigned to various services, and once the librarians are hired, steps will be taken to fill the relevant vacancies.	The necessary staff must be approved.

3.6 Management of Vehicle fleet

Audit Observation	Comments of the Council	Recommendation
(a) Two tractors, two trailers and a road crusher belonging to the PradeshiyaSabha had been parked in the PradeshiyaSabha office premises for a long time.	02 tractors and 02 trailers have been parked in the office premises due to the lack of trained drivers to operate them. Requests have been made to the Local Government Commissioner to provide or exchange these tractors and trailers to another institution and obtain a tipper vehicle in their place. The road sweeper has been referred to the crusher. That its repair has been delayed due to the shortage of spare parts.	Assets should be utilized effectively.
(b) Fuel combustion tests had not been conducted for 06 vehicles and tractors owned by the council as per Public Administration Circular 30/2016 dated 29th December 2016.	Fuel combustion tests have been conducted on two vehicles, and the remaining vehicles, including the JCB machine, skid loader, and bobcat vehicle, will undergo fuel tests when they are put into service.	Circular instructions must be followed.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Council	Recommendation
The UvaParanagamaPradeshiyaSabha had not prepared an action plan as per the 2024 development plan and 4 out of the 8 development projects proposed as per the 2024 budget announcements had not been implemented.	While 08 proposals were approved under the 2024 budget proposals, work on 04 has been completed. One of these proposals has been resubmitted under the 2025 budget proposals.	Development proposals should be implemented promptly.

4.2 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure according to the budget prepared by the Pradeshiya Sabha for the year under review with the actual income and expenditure of the year, there was a variation of 15 percent to 107 percent in 05 income items and 20 percent to 90 percent in 07 expenditure items.	The budget is prepared based on forecasts for the year preceding the year under review. It is expected that the budget will be used as an effective control tool to minimize the variability in actual income and expenditure, while changes occur due to climate change, commodity price fluctuations, and other factors.	The budget document should be used as an effective control tool.

4.3 Environmental Problems

	Audit Observation	Comments of the Council	Recommendation
(a)	The city's drainage systems and city cleaning activities for sewage and garbage treatment had not been carried out properly.	While it is not currently being implemented due to the lack of sufficient employees, non-perishable waste collection will be carried out in the future, and the Department of Local Government has requested the Ministry of Local Government to obtain the necessary funds to prepare the necessary storage facilities for storing waste.	Sewage and garbage disposal within the jurisdiction should be carried out properly in accordance with the provisions of the PradeshiyaSabha Act.

- (b) The non-biodegradable waste collected from the Bomburu Ella tourist area was disposed of at the site of the Management Center. The relevant employees have been instructed by the works administrator not to burn in or around the compost yard. Environmental rules and regulations must be followed.