

Haputhale Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the HaputhalePradeshiya 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 equity 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 HaputhalePradeshiya 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 pradeshiya sabha 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 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 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 under-allocation of industrial creditors of Rs. 11,098,282 in the previous year had been accounted for as capital expenditure in the year under review.	Agree. It will work to correct it.	Accounts must be prepared correctly.
(b)	By the end of the year under review, an over-allocation of Rs. 1,495,106 had been made in respect of 8 industries.	The difference in the balances of creditors and debtors provided to industries under PSDG and Planning money has been due to the inclusion of administrative expenses.	-Do-
(c)	Industrial creditors of Rs. 893,881 relating to the year under review had been accounted for twice.	Agree. It will work to correct it.	Accounts must be prepared correctly.
(d)	During the capitalization of buildings constructed under the provisions of the Local Development Support Project, the balance of the capital investment contribution account from income was overstated by Rs. 650,500.	-Do-	-Do-.
(e)	The water motor and hose purchased during the year under review for Rs. 126,096 had been accounted for under furniture and fittings, and three fixed asset items with a total value of Rs. 490,550 had not been capitalized.	-Do-	-Do-

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| (f) | The fine of Rs. 192,397 imposed by the Urban Development Authority had been accounted for as income of the council. | Agree. It will work to correct it. | Accounts must be prepared correctly. |
| (g) | The case number L-2130 filed against the council in the Bandarawela District Court by an external party since 31st December 2012 had not been disclosed in the financial statements. | That steps will be taken to include it in the financial statements in the future. | All necessary information must be submitted with the financial statements. |

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)	Pradeshiya Sabha Act No. 15 of 1987 Section 134(2) Steps had not been taken to identify areas developed after 2018 and expand the assessment tax limit.	The approval of the Minister in charge of the Uva Provincial Council must be obtained to take action regarding the expansion of the assessment limit.	Since the Governor has the powers of the Minister in charge of the subject, steps must be taken to obtain approval.
(b)	1988 Pradeshiya Sabha (Finance and Administration) Rules 193 A statement indicating budget variances and the reasons for them had not been submitted with the financial statements.	The report was presented at the Audit and Management Committee held on 8 th January of 2025.	All necessary information must be submitted with the financial statements.

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. 19,541,597 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 15,300,108 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

The information presented by the Secretary to the Council regarding the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year is given below.

Source of income		2024				2023			
		Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	2,190,375	2,775,600	3,291,387	626,972	2,684,474	2,180,181	2,052,794	1,271,387
(ii)	Rent	5,190,386	7,435,466	7,390,618	428,405	6,763,336	5,103,876	3,802,143	1,301,733
(iii)	License fees	834,600	834,600	1,128,119	-	777,600	1,495,735	1,495,735	-
(iv)	Other Revenue	13,168,200	1,176,205	12,158,581	675,392	13,001,300	2,880,072	2,869,410	10,662
Total		<u>21,383,561</u>	<u>12,221,871</u>	<u>23,968,705</u>	<u>1,730,769</u>	<u>23,226,710</u>	<u>11,659,864</u>	<u>10,220,082</u>	<u>2,583,782</u>

2.2.2 Performance in Revenue Collection

Court fines and Stamp duty

Audit Observation

Court fines of Rs. 1,990,117 and stamp duty of Rs. 18,639,517 receivable as on 31st December of the year under review had not been collected from the Chief Secretary of the Provincial Council and other authorities.

Comments of the Council

The relevant institutions were notified and court fines of Rs. 8,935,515 and stamp duty of Rs. 7,032,267 have been collected.

Recommendation

Efforts should be made to recover court fines and stamp duty.

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 balance of Rs. 5,000,000 had been retained in fixed deposits as at 31st December of the year under review without making any provision in the budget for the performance of the powers and functions vested in the Pradeshiya Sabha as per the Pradeshiya Sabha Act No. 15 of 1987.	No comments.	According to the Pradeshiya Sabha Act No. 15 of 1987, the powers and functions assigned to the Pradeshiya Sabha must be carried out using council funds.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure for the year with the actual income and expenditure for the year as per the budget prepared by the Pradeshiya Sabha, there were variations ranging from 22 percent to 106 percent in 06 income items and from 12 percent to 74 percent in 07 expenditure items.	That the reason for the variations between the estimated income and the actual income of 06 subjects up to 106 percent is due to the collection of arrears income during the year under review using a special program and the income obtained through the lease of lands owned by the council. In the future, we will work to effectively utilize budget controls while staying within the budgeted limit.	The budget should be used as an eff