

## **Eheliyagoda Pradeshiya Sabha - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The Audit of the financial statements of the Eheliyagoda Pradeshiya Sabha for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial operations, Cash flow statement for the year then ended including a summary of significant accounting policies and other explanatory 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be published in 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 Eheliyagoda Pradeshiya Sabha as at 31 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**

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My opinion is qualified based 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 the Management and Those Charged with Governance for the Financial Statements**

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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 as management determine is necessary to enable the preparation of the financial statements that are free from material misstatements, 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 periodic financial statements to be prepared.

#### **1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedure that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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 discourses, 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**

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National Audit Act No. 19 of 2018 includes specific provisions for the following requirements.

- a) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018.

## 1.6 Audit Observations on the Preparation of Financial Statements

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### 1.6.1 Accounting Deficiencies

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<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) Expenditure creditors were provided and accounted for relating to the year under review for the loan amount of Rs. 54,882 of the Local Loans Development Fund and the interest of Rs. 83,639 thereon payable for the month of January 2022.	It has been informed that, it will be eliminated from the creditors and will be rectified the error.	The expenditure relating to the year should be identified and accounted for.
(b) Even though the interest for the year under review relating to 05 fixed deposits in three banks amounted to Rs. 907,737 it was brought to account as Rs. 1,011,447.	It has been informed that, it will be rectified in preparing accounts for the year 2022.	The value of correct interest should be identified and accounted for.
(c) The creditors had not been provided for 03 items of expenses payable relating to the year under review totaling Rs. 81,185.	It has been informed that, the accumulated fund was adjusted due to delay in receipt of bills, and in future all bills relating to the year will be brought to the institution at the end of the year.	The creditors should be provided for the accrued expenses relating to the year.

### 1.6.2. Unreconciled Control Accounts or Reports

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<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
A difference of Rs. 99,416,222 was observed between the balances as per financial statements as at the end of the year under review relating to 06 items of accounts and the balances as per the subsidiary registers.	It has been informed that, action will be taken to rectify in future.	The balances as per financial statements should be reconciled with the subsidiary registers.

## 1.7 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations ect.	Non-compliance	Comments of the Council	Recommendation
(i) Financial Regulations of the Democratic socialist Republic of Sri Lanka. Financial Regulation 371(5)	The advances of Rs. 2,001,189 granted for execute Provincial Council works; execution of food Act, direct works, salary advances and temporary pension payments in 45 instances during the period from 1995 to 2021 had not been settled.	It has been informed, that settling of advances was difficult due to non-availability of the details of files and the required actions are being taken.	Action should be taken in terms of financial regulation.
(ii) Financial Regulation 571(2)	Action in terms of the Regulations had not been taken in respect of tender deposits, works retention money, agreements security and miscellaneous deposits totaling Rs. 3,859,531 relating to the period from the year 1988 to 2019.	It has been informed that, the balance is being checked and action will be taken in terms of financial regulation in future.	Action should be taken in terms of financial regulation.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 19,982,959 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 36,237,326.

## 2.2 Revenue Administration

### Performance in Collection of Revenue

Audit Observation	Comments of the Council	Recommendation
There were arrears of assessment tax amounting to Rs. 23,914,369 as at the end of the year under review and it included a balance amounting to Rs. 501,639 receivable from 25 Government institutions and a balance amounting to Rs. 23,412,730 receivable from 5052 private units but action had not been taken to recover the arrears.	It has been informed that, the legal action was delayed as the adverse effects on the public due to epidemic situation.	The relevant arrears should be recovered in terms of the Pradeshiya Sabha Act.

## 3. Accountability and Good Governance

### Environmental Problems

Audit Observation	Comments of the Council	Recommendation
A waste Management plan according to the national policies had not been prepared. A cost of Rs. 16,041,867 and 21 employees and 04 vehicles had been utilized to dispose about 1500 metric tons of solid waste in the year under review within the authoritative area of the Sabha. Nevertheless, the pits were dug in a land of a Beruwana area and the waste were dumped into it and the pits were closed without following a formal and environment friendly methodology for disposing of above waste. Public complaints have been received in this regard.	It has been informed that, a solid waste management plan has been prepared by now and action is being taken to obtain the approval, and as the organic fertilizer is produced in the compost yard, Beruwana there are not much garbage to dispose.	The approval should be obtained for the waste management plan and the activities of the solid waste management should be executed accordingly.