

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Eheliyagoda Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial operations, cash flow statement, statement of changes in equity, significant accounting policies and the summary of 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 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 2022 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

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 Responsibility for the Audit of 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 financial reporting process of the Pradeshiya Sabha.

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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Audit Scope (Auditor's Responsibility 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 skepticism 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 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year.
- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (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) Although it is an accounting policy to account stamp duty on a cash basis, the stamp duty of Rs. 16,984,123 for the previous year was accounted on the accrual basis.	Further settling the outstanding balance, the accounts will be prepared on cash basis.	This should be corrected.
(b) A bailer machine worth Rs. 950,000 received as a donation from the Provincial Council was not capitalized.	The correction will be made during the preparation of accounts of the next year.	This should be corrected.
(c) Interest of two fixed deposits worth Rs. 136,941 was not accounted and interest income of Rs. 191,062 was over accounted in another deposit.	That will be checked and corrected.	This should be corrected.
(d) There was a difference of Rs. 155,357,626 in 06 accounting subjects between the balances as per the financial statements and the balances as per the source documents on that date.	Action will be taken to check the incomparable and correct.	Should be identified the reasons for difference and solved.

1.6.2 Lack of Written Evidences for Audit

Subject -----	Comments of the Council -----	Recommendation -----
(a) No detailed schedules or other source documents were submitted to verify 04 accounting subjects totaling Rs. 1,968,712.	Non- submission if schedule is accepted as an offence.	Detailed schedules should be prepared.

- (b) A total of Rs. 9,337,414 debit balances in 03 deposit accounts had not been identified and settled. Also, no related written information was submitted to the audit. Necessary arrangements are being made to settle. Should be identified the relevant balances and settled.

1.7 Non-compliance

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

Non-compliance with Laws, Rules, Regulations and management decisions are as given below.

Audit Observation	Comments of the Council	Recommendation
Advances of Rs. 2,001,389 granted on 43 occasions between the years 1995 to 2019 were unsettled in contravention of Financial Regulation 371 (5). Also, expired tenders and miscellaneous deposits totaling Rs. 1,517,600 for the year 2017 were not settled as per Financial Regulation 571(2).	Necessary steps are being taken to settle the outstanding advances.	Should be act as per Financial regulations.

2. Financial Review

2.1 Financial Result

According to the submitted financial statements, the income exceeding the recurrent expenditure of the council for the year ended 31 December 2022 was Rs. 2,070,808 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 19,982,959.

2.2 Revenue Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

According to the information submitted by the council, the information about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year is given below.

Income Source	2022				2021			
	Estimated income	Billed income	Collected income	Arrears as at 31 December	Estimated income	Billed income	Collected income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessments and tax	8,561,500	10,595,823	8,778,931	26,327,278	8,641,200	8,630,285	5,263,375	24,359,671
Rentals	12,107,800	11,873,166	11,742,288	1,282,271	11,669,900	9,737,897	8,391,744	2,461,380
License fee	1,072,600	725,135	723,885	5,250	874,148	751,567	756,317	9,750
Other income	<u>7,378,300</u>	<u>7,233,149</u>	<u>6,248,096</u>	<u>1,961,071</u>	<u>4,658,100</u>	<u>4,948,316</u>	<u>3,750,347</u>	<u>2,009,066</u>
	<u>29,120,200</u>	<u>30,427,273</u>	<u>27,493,200</u>	<u>29,575,870</u>	<u>25,843,348</u>	<u>24,068,065</u>	<u>18,161,783</u>	<u>28,839,867</u>

2.2.2 Performance of the Revenue Collection

The observations regarding the performance of the revenue collection of the council are given below.

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) There was an outstanding assessment balance of Rs. 15,181,158 and an outstanding acreage tax balance of Rs. 127,459 as at 31 December 2022 older than 05 years.	The implementation of mobile service programmes and two officers working in the field to collect arrears of revenue.	Should be collected the arrears of revenue.
(b) Although the arrears rent from Eheliyagoda week fair for the year 2012 should paid till April 2016 according to a court decision, Rs. 180,000 remained to be charged. Also, arrears of Rs. 1,097,523 for the last 02 years were not collected.	Necessary arrangements have been made to recall the case now and arrangements are being made to recover the arrears of rent.	Should be collected the arrears of revenue.

3. Operational Review

3.1 Controversial Transactions

Audit Observation -----	Comments of the Council -----	Recommendation -----
Although the Secretary of the Council had declared in May 2012 that the land belonging to a public toilet owned by the council was included in the expanded alternative road through the railway reserve, the owner of the nearest land had submitted an affidavit that he was enjoying the said land. Despite this, his building application to construct a building on that land was approved by the council in May 2014. But the applicant had not been get confirmation of the right to the land until December 2022.	Action will be taken to give an answer after find out.	Should be subject to the existing rules and regulations.

3.2 Utilization of Vehicles

Audit Observation -----	Comments of the Council -----	Recommendation -----
03 Vehicles that were not owned by the council had not been taken over or handed over and 02 scrap vehicles had not been disposed.	The necessary arrangements are being taken for taking over and will be disposed.	Should be act as per the guidelines of circulars.