

Eheliyagoda Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Eheliyagoda Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, cash flow statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 Subsection 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 accompanying financial statements give a true and fair view of the financial position of the Eheliyagoda Pradeshiya Sabha as at 31 December 2023, 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 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 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 all 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 the 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 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 the Pradeshiya Sabha's 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 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

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

- 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.
- 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 Council	Recommendation
(a) Accrued expenses amounting to Rs.265,981 had not been accounted.	Action will be taken to correct it by the final account of the year 2024.	Should be accounted accurately.
(b) Expenditure amounting to Rs.764,520, taken under the fixed assets, had not been capitalized.	-Do-	-Do-
(c) There was a difference of Rs.85,709,469 between the balances according to the financial statements of 06 accounting subjects and those balances according to the subsidiary documents.	-Do-	-Do-

1.6.2 Written Evidences not Made Available for Audit

Audit Observation	Comments of the Council	Recommendation
There had been no schedules and source documents for Rs.163,610,295 in 08 accounting subjects and the debit balances amounting to Rs.8,842,547 in the deposit accounts had not been identified and settled.	Action will be taken to examine and document fixed assets in the future and the balance of the deposit account will be settled during the preparation of accounts for the year 2024.	Evidence should be submitted for confirmation.

1.7 Non-compliance

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

Audit Observation	Comments of the Council	Recommendation
According to Financial Regulation 371 (5), advances amounting to Rs.1,902,321 provided in 41 instances during the period of 1995 to 2019 had not been settled.	Action is being taken to obtain the approval for writing off the unsettled advances from 1993 to 2009 and to settle advances from 2010 to 2019.	Action should be taken in terms of the Financial Regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, revenue of the Council that had exceeded the recurrent expenditure for the year ended 31 December 2023 had been Rs.37,583,957 and in corresponding to that, revenue of the Council that had exceeded the recurrent expenditure in the previous year had been Rs.2,070,807.

2.2 Revenue Administration

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

According to the information presented by the Secretary, the estimated revenue, billed revenue, collected revenue and revenue arrears related to the year under review and to the previous year are mentioned below.

Revenue Source	2023				2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	10,029,000	9,479,891	11,816,631	24,400,450	8,561,500	10,595,823	8,778,931	26,327,278
Rents	11,652,500	12,285,671	12,088,896	1,313,907	12,107,800	11,873,166	11,742,288	1,282,271
License Charges	1,257,600	936,780	936,780	1,000	1,072,600	725,135	723,885	5,250
Other Revenue	<u>9,926,100</u>	<u>11,043,888</u>	<u>9,332,714</u>	<u>3,258,189</u>	<u>7,378,300</u>	<u>7,233,149</u>	<u>6,248,096</u>	<u>1,961,071</u>
	<u>32,865,200</u>	<u>33,746,230</u>	<u>34,175,021</u>	<u>28,973,546</u>	<u>29,120,200</u>	<u>30,427,273</u>	<u>27,493,200</u>	<u>29,575,870</u>

2.2.2 Performance in the Collection of Revenue

Audit Observation	Comments of the Council	Recommendation
(a) There had been a balance of Rs.16,903,961, which had been more than 05 years old, within the outstanding assessment and acreage tax balance amounting to Rs.23,616,980 as at 31 December 2023.	Mobile service programmes have been implemented.	Revenue arrears should be collected without delay.
(b) Shop rentals, charges of weekly fair and itinerant business amounting to Rs.1,111,393, which had been outstanding for a period of 01 year to 03 years had not been charged.	Will be worked as per the agreement to collect the arrears.	-Do-
(c) Even though the rental arrears for the year 2012 from Eheliyagoda weekly fair should be paid by April 2016 according to the court decision, a sum of Rs.180,000 had to be recovered further. However, the court had not been informed in this regard.	Legal proceedings have been initiated for this in the Avissawella District Court.	-Do-
(d) Revenue amounting to Rs.525,000 had been lost due to non-collection of business tax from 14 telephone towers for the period of 2004-2021.	Will be made arrangements to collect the fees in the future.	-Do-

3. Operational Review

3.1 By-Laws

Audit Observation	Comments of the Council	Recommendation
Twenty-eight (28) by-laws, out of the 30 by-laws to be enacted under Section 126 of the Pradeshiya Sabhas Act had not been enacted.	Action is being taken for that.	Action should be taken according to the Pradeshiya Sabha Act.

3.2 Environmental Issues

Audit Observation	Comments of the Council	Recommendation
(a) Even though the Medical Officer of Health of the area had informed that 21 water sources in the limits of the Pradeshiya Sabha had not been suitable for	It has been advised to apply Chlorine for the areas indicated as not suitable.	Urgent measures should be taken to clean water sources.

consumption, No action had been taken in that regard.

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| (b) | The septic tank in the lavatory at the premises of the fair in Eheliyagoda had to be repaired again for Rs.171,393 in the year 2023 as the repair, which had been carried out for Rs.375,000 in the year 2019 had not been done properly. Moreover, while 02 gully bowsers received in 2013 and 2014 had not been utilized and they had been decaying. The service of a private gully bowser had been obtained at a cost of Rs.148,000 in the years of 2022 and 2023. | The sewage had to be removed by a hired private gully bowser. At present, the pipe system, through which sewage flows into the storage tank has been repaired. | Repairs and maintenance should be carried out and assets owned by the Sabha should be utilized effectively. |
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3.3 Deficiencies in Contract Administration

Audit Observation

A wall and a gate built in the year 2021 had been removed due to the decision of the chairman. Therefore, an idle expenditure amounting to Rs.252,631 had been incurred.

Comments of the Council

This was done as per the decision of the General Assembly. For that, the gate and a part of the wall were removed.

Recommendation

Development activities should be effectively planned and implemented.

3.4 Utilization of Vehicles

Audit Observation

A cab owned by the Sabha, and taken by the Chairman had met with an accident in the year 2022. According to the report of the board of survey in that regard, it had been stated that it could not be confirmed whether it had been an official matter. The Chairman had not taken part at the moment of taking statements.

Comments of the Council

The Chairman has declared, when questioning the Chairman that he did not remember anything about it. The Commissioner of Local Government has been informed in this regard.

Recommendation

Action should be taken in terms of the Financial Regulations.