Elpitiya Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Elpitiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, Statement of Financial Operations, statement of changes in net assets, Cash Flow Statement for the year then ended 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-Section 10(1) of the 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 Elpitiya Pradeshiya Sabha as at 31 December 2024, 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

I expressed qualified Opinion 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's 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 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 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 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 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 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 stock of sub-documents worth Rs. 57,140 and the stock of form documents worth Rs. 172,145 had been left out of the accounts.	That the accounts will be kept correctly in the future.	The stock values that had been left out should be accounted for.
(b)	The value of land and buildings, which was Rs. 684,000, was shown as compensation for land under investment and the land worth Rs. 867,850 was not shown under fixed assets, resulting in an understatement of non-current assets by Rs. 1,551,850.	That the accounts will be kept correctly in the future.	The understated value of land and buildings should be corrected.
(c)	The value of 16 plots of land in the possession of the council had not been assessed and accounted for.	That it will be corrected and accounted for in the future.	The value of the land should be assessed and accounted for.

(d)	The value of the IPG software system purchased in the year under review for Rs. 130,000 was omitted from the financial statements.	That it will be accounted for correctly in future.	The value of the IPG software system should be shown in the financial statements.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the council	Recommendation
There was a difference of Rs. 233,406 between the balances related to 03 accounting subjects shown in the financial statements and the balances shown in the supporting documents related to them.	That steps will be taken to resolve the matter promptly.	The reasons for the differences should be identified and corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to the failure to submit detailed supporting documents, balance structure, date of purchase and quantities, the furniture and equipment account balance totaling Rs. 522,970 could not be satisfactorily verified.	It was stated that an appraisal committee would identify items that were not specifically identified and assess the relevant items.	Written evidence confirming the account balance should be submitted.

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.294,013 as compared with the excess of revenue over recurrent expenditure amounting to Rs.15,458,720 in the preceding year.

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the following is information on estimated income, billed income, collected income and arrears of income for the year under review and the previous year.

Source of Revenue Rs.	2024 Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	2023 Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.
Rates and Taxes	8,757,500	3,483,180	3,432,053	19,168,734	7,466,500	5,195,094	4,870,825	19,117,607
Rent	6,661,200	2,450,400	2,455,685	2,348,779	3,460,000	3,587,670	5,258,828	2,354,064
License Fees	1,572,000	1,316,569	1,296,769	119,800	852,000	2,157,390	2,070,940	100,000
Other revenue	45,000,000	16,851,182	16,851,182	804,837	13,843,500	13,037,176	13,156,216	804,837
	62,050,700	24,101,331	24,035,689	22,442,149	25,622,000	23,977,330	25,356,809	22,376,508

2.2.2 Performance in Revenue Collection

The following are observations regarding the performance in revenue collection of the council

	Audit observation	Comments of the council	Recommendation
(a)	Assessment and Tax		
	The assessment tax amounting to Rs. 13,189,186, which was outstanding since 10 years ago, had not been taken in accordance with the provisions of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987.	That the Council will take action to recover taxes in accordance with Section 158(1) of the Pradeshiya Sabha Act in future.	The arrears of revenue should be recovered in accordance with Section 158(1) of the Act.
(b)	Rent		
	As of the end of the year under review, 17 outstanding shop rent balances amounting to Rs. 1,739,027, which had been outstanding for more than 03 years, had not been recovered.	These outstanding balances exist only for shops that have been closed for a long time and are currently sealed, and it has been directed to the Hon. Governor to write off those outstanding balances.	A system should be developed urgently to recover the outstanding income and action should be taken to recover the outstanding income.
	Other Revenue		
(c)	The stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities as on 31st December of	It has been directed to obtain the approval of the Governor to write off the	A formal program should be prepared and implemented by

the year under review was Rs. 24,011,679 and court fines Rs. 2,204,000.	stamp duty receivable in the years 2015, 2016, 2017 and the court fine receivable in the year 2016 and that steps will be taken to recover the outstanding balance.	the Chief Secretariat and the Land Registry Department to recover the outstanding revenue.

3. Operational Review

3.1 Identified losses

Audit observation	Comments of the council	Recommendation
For the year 2024, 142 institutions that were required to obtain environmental protection licenses by the council had not obtained licenses, and Rs. 639,000 in license fees and Rs. 426,000 in inspection fees had not been collected.	The Environmental Officer has been instructed to obtain environmental licenses from institutions that are required to obtain environmental licenses and increase income, and to take steps to minimize the environmental damage caused by the institutions.	Great care should be taken regarding the issuance of licenses to industries that are required to obtain environmental protection licenses.

3.2 Management Inefficiencies

Audit observation	Comments of the council	Recommendation
Investigations had not been conducted in accordance with Financial Regulation 104regarding a cab owned by the Pradeshiya Sabha that had been destroyed by fire in the year 2022.	Implementation of the recommendations will be carried out as soon as approval is received from the Department of Local Government.	Action should be taken in accordance with the provisions of the Financial Regulation.

3.3 Human Resource Management

Audit observation	Comments of the council	Recommendation
As per the Human Resource Plan of the Council as on 31st December 2024, there were 18 surplus posts of Development Officers.	An application has been made under F.R.71 for approval of Development Officers.	A staff review should be conducted and appropriate action should be taken as per the functions and scope of the Council.