

Eheliyagoda Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Eheliyagoda Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial Operation, Cash Flow Statement, Statement of changes in net assets 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 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 Eheliyagoda 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 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

Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Due to non-capitalization of 11 industries related to the year under review, Non-Current Assets and Contribution from Revenue to Capital Outlay Account was understated by Rs. 5,148,063.	That work will be done to correct it in 2025.	The accounts must be corrected.
(b) The balance of the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was shown to be understated by Rs. 1,596,950 due to the removal of auction income of Rs. 4,905,000 from the asset account in respect of 03 vehicles auctioned during the year under review at a cost of Rs. 3,308,050.	That work will be done to correct it in 2025.	-Do-
(c) The cost of the crusher, which was auctioned during the year under review at a cost of Rs. 675,000, had not been removed from the asset accounts, and therefore the Non-Current Assets and Contribution from Revenue to Capital Outlay Account had been overstated by that value.	That work will be done to correct it in 2025.	The accounts must be corrected.
(d) Due to the non-accounting of the remaining stock at the end of the year under review, the current assets and operating surplus for the year were understated by Rs. 1,354,056.	Since the total cost of purchasing goods is accounted for in the income and expense account, no inventory accounts have been maintained so far.	The accounts must be corrected.

- (e) Capital expenditure and current liabilities were shown to be higher by Rs. 801,973 due to the fact that industrial creditors had over-accounted for the year under review. That will take steps to avoid making such mistakes in the future and to correct the error that has occurred. -Do-

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 Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Section 371(5) of the Financial Regulations Code of the Democratic Socialist Republic of Sri Lanka	Advances of Rs. 1,902,321, which had been given on 42 occasions from 1995 to 2023, had not been settled by April 2025.	A committee has been appointed to conduct an investigation into the outstanding advances from 1995 to 2009 and necessary steps are being taken to settle the remaining advances.	Financial regulations must be followed.

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.15,594,336 as compared with the excess of revenue over recurrent expenditure amounted to Rs.37,583,957 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 the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

Source of income	Estimated Revenue	2024		Total Arrears as at 31 December	Estimated Revenue	2023		Total Arrears as at 31 December
		Revenue billed	Revenue collected			Revenue billed	Revenue collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	9,381,000	9,990,450	12,480,302	21,969,309	10,029,000	9,479,891	11,816,631	24,400,450
Rent	10,935,100	13,062,416	13,581,250	766,807	11,652,500	12,285,671	12,088,896	1,313,907
License fees	1,275,100	975,554	975,554	1,000	1,257,600	936,780	936,780	1,000
Other Revenue	10,364,500	13,582,427	19,491,899	1,211,930	9,926,100	11,043,888	9,332,714	3,258,189
	<u>31,955,700</u>	<u>37,610,847</u>	<u>46,529,005</u>	<u>23,949,046</u>	<u>32,865,200</u>	<u>33,746,230</u>	<u>34,175,021</u>	<u>28,973,546</u>

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation	Comments of the Council	Recommendation
(a) The outstanding assessment balance of Rs. 21,658,948 as at the end of the year under review included 2,332 assessment units with a total of Rs. 17,406,811 outstanding for more than 05 years.	That action will be taken in accordance with Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 for assessed properties that are overdue for more than 05 years.	Action should be taken to collect the outstanding revenue.
(b) The outstanding acreage tax balance of Rs. 195,701 as at the end of the year under review included Rs. 153,110 due from 126 units that had been in existence for more than 05 years.	Rs. 13,556 in arrears of acreage taxes older than 05 years have been recovered by March 2025.	Steps should be taken to settle outstanding acreage taxes.
(c) Rs. 65,760 in arrears of water charges for the previous year had not been collected from 57 water consumers as of March 2025.	Water consumers have been notified by letter to recover outstanding amounts.	Action should be taken to collect the outstanding revenue.
(d) A survey had not been conducted during the year under review to identify temporary notice boards for which fees were to be charged. Also, the total amount of Rs. 45,000 due for 06 permanent notice boards identified in previous years had not been collected by April 2025.	Reminder letters were sent to inform the public to pay for the unpaid billboards for the year 2024 and those billboards were removed due to non-payment.	Action should be taken to collect the outstanding revenue.

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) By-laws Under Section 126 of the Pradeshiya Sabha Act, by-laws were to be enacted to carry out 30 main matters, but as of December 31, 2024, the council had not enacted by-laws for 28 matters.	It is hoped that other by-laws will be prepared as needed after the establishment of the Pradeshiya Sabha.	Action should be taken in accordance with the Pradeshiya Sabha Act.

(b) Solid Waste Management

An environmental permit had not been obtained for the Beruwana Garbage Yard. Furthermore, the fertilizer sample submitted on 23rd September of 2021 to obtain a quality certificate for the compost fertilizer produced had also failed in quality. Although instructions had been given to register with the Fertilizer Secretariat with the aim of creating a market for compost fertilizer, registration had not been completed by April 2025, and according to fertilizer production and sales reports, 95 percent of the fertilizer produced had not been sold.

It will be possible to obtain an environmental permit after the waste center is in order. Steps will be taken in the future to obtain a quality certificate for organic fertilizer again and to register with the National Fertilizer Secretariat and increase fertilizer sales.

The solid waste management process should be carried out systematically.

3.2 Management Inefficiencies
Audit Observation

Comments of the Council

Recommendation

(a) A person who worked for the council as a road worker on a contract basis had filed a case against the council for not contributing to the provident fund during the period from 20th October of 2006 to 31st December of 2011. According to the decision of the case, Rs. 165,480 had been ordered to be paid as provident fund contribution and the relevant surcharge, which had been paid from the council fund. Although it had later been decided to recover the remaining amount from four responsible parties, Rs. 49,644 due from a former chairman had not been recovered by December 2024.

It has been forwarded to the council's attorney to file a case to recover the amount of Rs. 49,644 from the former chairman.

Action should be taken to recover the relevant amount.

(b) Detailed sub-documents had not been prepared for 13 asset items totaling Rs. 282,564,909.

Work is underway to prepare the schedules.

Detailed sub-documents should be prepared.

(c) The Council had failed to identify and settle the debit balances of Rs. 8,128,152 in 03 deposit accounts, and no written information related to this was submitted to the audit.

Since this is a debit balance that has been going on for many years, necessary steps are being taken to resolve it.

Action should be taken to identify and settle the relevant balances.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Rs. 155,000 had been paid to a surveyor on 1 st of March 2024, for surveying the road from Sutherland Estate to Andagala. However, as the land acquisition process for the road had not been completed, the road could not be gazetted even by March 2025.	It has been directed to the Divisional Secretary to obtain confirmation for the takeover of the Adagala road via Sunderland Estate and that further action will be taken after receiving the information.	Steps should be taken to make the road takeover process efficient and gazette the road.
(b) A survey had not been conducted to identify the locations where industrial taxes, business taxes and business licenses should be levied for the year 2024 within the council jurisdiction.	That a survey will be conducted for next year.	The survey should be conducted annually.

3.4 Management of Vehicle fleet

Audit Observation	Comments of the Council	Recommendation
Due to the delay in repairing the JCB machine owned by the council, Rs. 1,808,584 was spent on renting backhoes and excavators during the year under review.	That expenses had to be incurred for pushing garbage piles on three occasions in 2024.	JCB machine repairs and maintenance should be carried out without delay.

3.5 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
Although the development of the Paligala Ambatenna road from Leewala to Maduwandeniya Junction using tar was completed on 28 th of September 2024, by 25 th February 2025, many places on the road had broken and the asphalt on the surface had been washed away, exposing ABC stones, making the Rs. 916,305 spent on tarring an uneconomical expense. Also, Rs. 58,871 had been overpaid for cutting the side drain of this industry.	The contractor has been notified to re-repair the road and since the industry's retention money has not been released, these sections can be repaired.	Necessary measures should be taken to ensure that development projects are completed according to the prescribed standards, and overpayments should be recovered.