

Embilipitiya Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Embilipitiya Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Cash Flow Statement, Statement of changes in equity 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 Embilipitiya 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 financial statement 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 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 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 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.

- 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 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

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Due to the capital expenditure incurred in the year 2021 of Rs. 634,506 not being capitalized, the contribution from income to non-current assets and capital expenditure account was understated by that value.	Action will be taken to correct it.	Capital expenditure must be accounted for correctly.
(b)	The current assets and operating surplus were understated by Rs. 211,104 due to the fact that the value of the remaining gas stock in the crematorium had not been accounted.	Action will be taken to correct it.	The stock value must be accounted in correctly.
(c)	Due to the capitalization of the value of the work in progress on the Sabha Office Building of Rs. 3,423,252, the Non-Current Assets and Contribution from revenue to Capital outlay account was overstated by that value.	Action will be taken to correct it.	The value of work in ongoing must be accurately accounted.
(d)	Due to the fact that interest receivable of Rs. 404,717 on 02 fixed deposits had not been accounted for, the arrears of other income and operating surplus had been understated by that value.	Action will be taken to correct it.	Revenue must be accounted in correctly.

(e)	Due to the under-accounting of Rs. 2,366,683 in salary reimbursements for December 2024, the arrears of other income and operating surplus were understated by that amount.	Action will be taken to correct it.	Revenue must be accounted for correctly.
(f)	Due to the fact that Rs. 311,310 payable for vehicle repairs was recorded twice under creditors, creditors were overstated by that amount at the end of the year under review, while operating surplus was understated by the same amount.	Action will be taken to correct it.	Expenses payable must be accurately accounted.
(g)	Due to the fact that Rs. 3,140,542 paid in 2023 for an industry operated on the basis of Pradeshhiya Sabha provisions was accounted for under capital aid receivable, the capital aid receivable balance and accumulated fund were overstated by that value.	Action will be taken to correct it.	Industrial expenses must be accounted accurately.
(h)	Although the non-current assets balance at the end of the year should be equal to the sum of the Contribution to Capital from Income Account and the Contribution to Capital from Grants Account, there was a difference of Rs. 13,621,105 between these accounts.	That the reasons for the difference will be investigated and corrected.	The reasons for the difference should be examined and the accounts corrected.
(i)	Although the capital support receivable balance according to the financial statements was Rs. 75,251,207, according to the supporting documents, the balance was Rs. 56,839,548, resulting in a difference of Rs. 18,411,659.	That the reasons for the difference will be identified and corrected.	The reasons for the difference should be identified and corrected.

1.7 Non- Compliances

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

	Reference to Rules	Laws, Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial 371(5)	regulation	02 advances totaling Rs. 130,853 given in the year 2013 had not been settled.	That the District Audit Committee recommended that surcharges be appropriate.	Financial regulations must be followed.
(ii)	Financial 371(2)	regulation	Although the interim advance was supposed to be paid immediately after the completion of the relevant work, the advance payment totaling Rs. 330,500, which had been given on 06 occasions during the year 2024, had been delayed for a period of between 20 and 80 days.	The delay in settling the advances was due to the inability to complete the programs for which advances were obtained within the stipulated time, delays in submitting bills, having to correct errors in the bills, and the busy schedule of the Officer of Vehicle Subject.	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. 33,257,786 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 17,117,028 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 Revenue	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	10,294,303	9,900,830	10,073,256	9,308,361	9,163,303	9,230,374	9,569,583	9,332,561
Rent	13,561,175	13,130,250	13,431,222	837,912	9,095,088	9,381,889	9,347,549	1,156,776
License fees	2,052,500	2,083,705	2,078,705	8,000	1,352,000	1,995,212	2,136,612	12,000
Other Revenue	50,107,000	52,379,940	37,651,358	34,755,329	37,380,000	37,307,076	21,085,843	20,064,874
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	76,014,978	77,494,725	63,234,541	44,909,602	56,990,391	57,914,551	42,139,587	30,566,211
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2.2.2 Performance in Revenue Collection

Audit Observation		Comments of the Council	Recommendation
(a)	The outstanding assessment balance of Rs. 9,302,361 as at the end of the year under review included 1919 assessment units with a total of Rs. 5,237,958 outstanding for more than 05 years.	Property prohibit programs, as well as mobile service programs, are being implemented.	Action should be taken to collect the outstanding revenue.
(b)	Rs. 158,750 in arrears of weekly market fees for a period of 01 to 03 years had not been recovered during the year under review.	The Governor's approval has been sought to cut the arrears of weekly market fees.	Action should be taken to collect the arrears of revenue.
(c)	The outstanding water charges due at the end of the year under review were Rs. 241,430, of which Rs. 175,080 were balances older than 03 years.	All efforts will be made to recover the amount within the next 02 years.	Action should be taken to recover the outstanding amount.

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.

Solid Waste Management

Audit Observation	Comments of the Council	Recommendation
Non-biodegradable waste collected within the sabha domain was being disposed of on land near the Chandrika Lake, in an irregular and without environmentally friendly manner.	It has been impossible to start the garbage project due to lack of land.	Waste management should be streamlined.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) 05 lands belonging to the Pradeshiya Sabha had not been assessed and accounted.	Action will be taken to correct it.	The assets of the sabha should be valued and accounted.
(b) Detailed supporting documents had not been prepared for 02 asset items totaling Rs. 15,892,605 as shown in the financial statements.	That step will be taken to submit the relevant schedules in the future.	Detailed schedule should be prepared.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Due to the delay in providing the recommendations of the Medical Officer of Health for 89 applications submitted for obtaining trade licenses for the year 2024, licenses could not be issued. Therefore, the relevant institutions had carried out business activities without licenses and the sabha had also lost the trade license fee revenue of Rs. 89,000 that could have been collected.	There is a delay in obtaining recommendations from the Embilipitiya and Udawalawe Medical Officer of Health offices and steps will be taken to prevent that delay in the future.	Activities related to business regulation in the sabha domain area should be made efficient.
(b) 60 building plans approved from 2020 to 2022 had not been inspected and certificates of compliance had not been issued.	Buildings that have not obtained compliance certificates have been informed to obtain those certificates.	Construction within the sabha's domain area should be regulated.