

Ella Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Ella 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 performance, cash flow statement for the year then ended and a summary of significant accounting policies and 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 Subsection 172(1) of the Pradeshiya Sabhas 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 presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ella Pradeshiya Sabha as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 (SLAS). 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 Sub-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 of the Sabha

1.4 Scope of Audit (Auditor's Responsibilities 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 skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the Sabhad 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 special provisions are included in relation to the following requirements specified in the National Audit Act, No.19 of 2018.

- (a) According to the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are consistent with the preceding year.
- (b) The financial statements presented includes 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 Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Even though the balance of property, plant and equipment amounted to Rs.394,080,224 in the statement of financial position as at 31 December in the year under review, it had been brought to accounts as Rs.394,379,690 in the Revenue Contribution to Capital Input Account.	Will be corrected in the next year	Accounts should be prepared accurately
(b)	A sum of Rs.918,813 to be paid to the year 2023 which is included in a sum of Rs.9,903,307 to be paid to the local debts and development fund in the year under review, had not been brought to accounts separately as current liabilities.	Will be corrected in the next year	Accounts should be prepared accurately
(c)	A sum of Rs.50,750 which is to be paid for railway warrants and a sum of Rs.25,599 to be paid to the paper advertisement for registration of suppliers in the year under review, had not been brought to accounts.	Will be corrected in the next year	Accounts should be prepared accurately

1.6.2 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to failure in submitting the documents of confirmation of ownership, assets reports, documents, physical existence and schedules in relation to 04 items of accounts total amounted to Rs.328,799,949, it could not be examined satisfactorily in audit.	Not replied	Documentary evidence for the confirmation of account balances shown in financial statements should be furnished.

1.7 Non-compliance

Non-compliance with laws, rules, regulations and management decisions.

Instances of Non-compliances with Laws, Rules, Regulations, and Management Decisions are given below.

**Reference to laws,
rules, regulations etc.****Non-compliance****Comment of the
Sabha****Recommendation**

Pradeshiya Sabha
Act, No.15 of 1987

- (a) Section 132(K) A sum of Rs.256,982 had been spent in the year under review, for applying paint on the Dharma Shala of a Temple and applying paint on a Kovil without prior approval of the Minister. The relevant activities have been done by entering into agreements through relevant registered societies. Prior approval of the Subject Minister should be taken for the aids granted for religious places and expenditure.
- (b) Section 182 Water taxes amounting to Rs.1,252,000 had been written off without approval of the Subject Minister. Not replied Action should be taken in accordance with the Act, when writing off of the money recoverable .

2. Financial Review**2.1 Financial Result**

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs.4,873,204 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.1,817,225.

2.2 Revenue Administration**2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue**

According to the information presented by the Chairman, particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	8,755,800	8,192,102	4,332,323	3,859,779	9,306,000	8,677,500	3,022,013	5,655,487
(ii) Rents	900,000	952,285	489,529	462,756	900,000	1,014,600	442,625	571,975
(iii) License Fees	1,572,200	985,000	985,000	0	1,525,000	1,018,220	1,018,220	0
(iv) Other Revenue	17,767,000	17,022,080	6,163,800	10,858,280	21,320,000	15,107,339	12,866,590	2,240,749
Total	<u>28,995,000</u>	<u>27,151,467</u>	<u>11,970,652</u>	<u>15,180,815</u>	<u>33,051,000</u>	<u>25,817,659</u>	<u>17,349,448</u>	<u>8,468,211</u>

2.2.2 Performance in Collecting Revenue

Observations on performance in collecting revenue of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and taxes amounting to Rs.13,117,977 to be recovered from 3,274 rates units as at 31 December in the year under review had not been recovered.	Action will be taken to recover the outstanding revenue.	Action should be taken to recover the outstanding revenue without delay.
(b) Outstanding rent of Rs.591,764 from 28 trade stalls which had been given on lease as at 31 December in the year under review, had not been recovered.	Plans has been made for the recovery of outstanding rents.	Outstanding rent of trade stalls should be recovered immediately.

3. Operating Review

3.1 Execution of the duties vested by the Act.

Under Section 3 of the Pradeshiya Sabha Act, the matters observed on the execution of the duties which should be executed by the Sabha such as be charged with the regulation, control and administration of all matters relating to public health, public utility services and public thorough fares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Environmental Protection License had not been obtained for the waste management centre which has been maintained since the year 2008 and the crematorium which had been commenced in the year 2020.	Action will be taken to obtain Environmental Protection License..	Environmental Protection License should be obtained for the waste management centre and the crematorium.
(b) Even though the Pradeshiya Sabha should take actions to repair the thorough fareso the area and provide adequate lavatory facilities, access roads had not been developed and lavatory facilities also had not been provided for nine arch bridge and Local Sri Pada which a large number of foreign and local tourists visits ,situated in Ella area .	Development activities of this area has been interrupted due to land settlement problems.	According to the Pradeshiya Sabha Act, No.15 of 1987, repairing of thorough fares and providing lavatory facilities should be done.

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| (c) | Affirmation had not been obtained by testing water samples as whether it is suitable the water to consume in 23 water projects maintained to supply drinking water to the people by the Sabha. | It has been informed that the water testing reports has been received and steps will be taken to take actions according to the instructions mentioned therein in due course. | Water suitable for consume should be provided. |
| (d) | The functions of the fitness center belonging to the Sabha had been stopped after 19 February 2021 due to the un protected condition of the building and the equipment therein has been remained idle and in un protected manner in the Sabha from 02 years period. | The building is not used until providing of the recommendations by the National Building Research Institute regarding the building. Attention of the Sabha has focused to re-function the fitness centre. | Idle assets should be utilized. |

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Even though, according to Section 52 of the Pradeshiya Sabha Act, No.15 of 1987, technical officers had identified on 10 un authorized constructions in the area of authority of the Sabha in the year 2022, suitable actions had not been taken in that connection.	Cases has not been filed under House and City Ordinance for the unauthorized constructions and no any reply has been received in this connection as discussions made on this matter in various occasions.	Suitable action should be taken regarding un authorized constructions.

3.3 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Liquid Sanitizer 545 liters purchased by spending Rs.490,500 from Regional Development Assistance Project in the preceding year, has been expired and stored in the Pradeshiya Sabha stores.	Part of the same liquid sanitizer has been distributed to health care units and Medical Officer of Health offices. It has been used as office cleaning activities and lavatory cleaning agent as well.	Purchasing should be done by identifying the necessity.