

Elahera Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Elahera Pradeshiya Sabha for the year ended 31 December 2023 comprising the notes to the financial statements, statement of assets and liabilities, statement of net assets/ changes in equity, cash flow statement as at 31 December 2023 and other explanatory information 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 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 Elahera Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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 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.

- (a) The financial statements presented by the Pradeshiya Sabha are 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 observation on the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The expenditure of Rs.774,950 relevant to the year under review had not been shown under accrued expenditure.	It has been mentioned that adjustments were done afterwards.	Financial statements should be presented accurately.
(b) Court fine revenue relevant to the month December in the year under review had not been brought to accounts by identifying.	It has been informed that action will be taken to rectify.	Financial statements should be presented accurately.
(c) The revenue earned earlier amounted to Rs.33,800 relevant to Bakamoona weekly fair and Diyabeduma education centre had been omitted from the financial statements in the year under review.	It has been informed that action will be taken to rectify.	Financial statements should be presented accurately.
(d) Revenue of crematorium amounted to Rs.10,000 relevant to the previous year and the revenue of auditorium rents amounting to Rs.5,000 relevant to the following year had been brought to accounts as the revenue of the year under review.	It has been informed that instructions had been given to provide the correct information.	Financial statements should be presented accurately.

1.6.2 Un reconciled Control Accounts or Reports

Audit Observation	Comments of the Sabha	Recommendation
(a) There were un –reconciliations of Rs.148,551 between the values relevant to 04 items of accounts according to the subsidiary registers with the value presented in the financial statements as at 31 December in the year under review.	Action will be taken to avoid this condition in the future.	Accurate values should be identified by reconciling with the subsidiary registers.
(b) There was an un –reconciliations of Rs.5,862,052 between the values of the 03 items of accounts mentioned in the schedules with the values included in the financial statements submitted as at 31st December of the year under review.	Action will be taken to avoid this condition in the future.	The values mentioned in the schedules and financial statements should be re-conciled.

1.6.3 Lack of Evidence for Audit

Subject	Amount Rs.	Audit evidence not made available	Comments of the Sabha	Recommendation
Industry debtors	6,781,811	Schedule of debtors/creditors	Will be presented accurately in the future	Relevant documents should be submitted
Industry creditors	8,278,872			
Garbage fees receivable	561,500	Confirmation of balances	Will be prepared the updated register	Relevant documents should be submitted
Revenue of garbage fees	71,400			
Re-imbursement of the salaries outstanding	214,200	Updated garbage tax register	Failure to submit	Relevant documents should be submitted
Revenue of vehicle rents receivable (previous arrears)	1,052,242			
Depreciations	76,838,937	Schedule	It has been informed that it will be corrected	Relevant documents should be submitted
		Updated Revenue register Schedule	Presented with the financial statements.	Relevant documents should be submitted
		Cumulative depreciation schedule Non-inclusion of cumulative depreciations in fixed assets registers		
	93,798,962 =====			

1.7 Non-compliances

1.7.1 Non-compliances 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 and regulations	Non-compliance	Comments of the Council	Recommendation
(a) Provisions of Rules and Ordinance			

Rule No.61 included in the Gazette Extra Ordinary dated 03 July	Even though releasing of advances should be done by preparing the relevant	Estimates are being submitted by now.	Estimates should be submitted with the voucher.
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2020 of the Democratic Socialist Republic of Sri Lanka estimate, a sum of Rs.2,174,065 under 95 instances had been provided for the year 2023 without submitting estimates.

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| <p>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p>FR. 755(1) and (2)</p> | <p>Even though ,any officer who is otherwise entrusted with the custody of particular stores and other Government property, relinquishes his duties, or is transferred to another post, or goes on long leave, he should hand over to his successor to any other officer delegated for the purpose, all Government stores and other property for which he is responsible, and obtain, in duplicate, and acknowledgement from the officer to whom the stores, etc. are handed over, Action had not been taken accordingly.</p> | <p>There was no handing over of goods and property to the subject officer who is currently entrusted with the custody of goods and property, and at the time of taking over the stores, a stock calculation was done and it was taking over after verification. Stores activities are being carried out in accordance with proper methodology by now.</p> | <p>Action should be taken legally.</p> |
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2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 9,519,834as at 31 December 2023 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.5,172,484.

2.2 **Revenue Administration**

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

According to the information presented by the secretary, the information on estimated revenue, billed revenue, collected revenue and revenue in arrears relevant to the year under review and the preceding year are given below.

Source of Revenue	2023				2022			
	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
Rates and Taxes	2,716,269	340,674	263,740	1,133,993	1,781,498	803,982	511,575	1,057,059
Rents	34,495,000	2,566,250	3,176,820	2,164,775	34,495,000	2,399,312	4,726,278	2,775,345
License fees	885,000	1,716,790	752,590	1,430,220	745,250	1,470,140	1,228,610	466,020
Other Income	17,383,816	5,884,390	5,446,801	1,219,529	8,239,936	3,195,130	3,667,776	781,941
Total	55,480,085	10,508,104	9,639,951	5,948,517	45,261,684	7,868,564	10,134,239	5,080,365

2.2.2 Performance on Collecting Revenue

Observations regarding the performance in collecting revenue of the Sabha are given below

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
The value of rates in arrears recoverable at the end of the year under review amounted to Rs.572,492 and action in terms of Section 158 of the Pradeshiya Sabha Act, had not been taken relevant to revenue in arrears.	Action will be taken to recover the rates in arrears.	Action should be taken to recover the prescribed revenue .
(b) Rents		
(i) Even though the estimated revenue of vehicle rent for the year under review amounting to Rs.37,270,344, the revenue collected had been Rs.3,176,822 that is, only a percentage of 08 per cent from the revenue to be collected.	It has been informed that due to the revenue of vehicle rents in arrears the revenue collected has been decreased.	Action should be taken to recover the revenue of vehicle rents in arrears.
(ii) Revenue in arrears amounting to Rs.880,767 by 31 December 2023 relevant to 35 trade stalls of the Elahera Pradeshiya Sabha, and the same arrears	It has been informed that action will be taken to recover the arrears.	Revenue in arrears should be recovered.

relevant to the period ranged between 05 months to 08 years, and action had not been taken to recover the arrears as per the agreements.

(c) **License Fees**

The revenue of trade license fees which were not taken action to recover in the year under review had been a sum of Rs.139,000.

It has been informed that action will be taken to recover the arrears.

Revenue should be recovered up to date.

3. **Operating Review**

3.1 **Performance**

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

Audit Observation

Comment of the Sabha

Recommendation

(a) **Action Plan**

(i) Even though 08 activities had been shown in the Action Plan by the Sabha, only 02 activities out of them had been fulfilled in the year under review.

It has been informed that the same programmes has been carried out according to the funds available in the Sabha.

Action should be taken to achieve the performance targets.

(ii) Even though 15 workshops for human resource development had been planned by the Sabha in the Annual Action Plan, only 03 work-shops had been conducted as at the end of the year under review.

It has been informed that the same programmes has been carried out according to the funds available in the Sabha.

Action should be taken to achieve the performance targets.

(b) **Delays in fulfilling Activities**

Even though 04 activities has been commenced in the previous year under strengthening of Local Authorities and a sum of Rs.24,922,968 had been spent for

It has been informed that the agreements were cancelled by the Ministry.

Action should be taken to achieve the performance targets .

that purpose, the same projects had not been completed even as at 31 December in the year under review.

3.2 Management Inefficiencies.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	A surcharge amounting to Rs.211,280 had been paid to the Employee Trust Fund by the Elahera Pradeshiya Sabha and action had not been taken to identify responsible persons on this matter.	This surcharge is a surcharge which has been calculated for the period which was not paid contributions.	Should be recovered by identifying the responsible parties.
(b)	The responsible parties failed to present the agreements relevant to Diyabeduma Dehiwatta trade stalls, to the audit and action had not been taken to recover the sum amounting to Rs.447,025 of revenue in arrears .	It has been informed that the officer in charge of the subject has been informed to complete the relevant duties as prescribed.	Action should be taken to recover the revenue in arrears and update the agreements.

3.3 Transactions of Contentious Nature

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The Backhoe Loader machine belonging to the Sabha has been forwarded to the engineer on 18 February 2022 for repairing and, the relevant repairing had not been done even as at November 2023 due to delay in taking decision. The repairing expense also had been increased from Rs.880,000 to Rs.1,408,100. As a result of that, the income to be earned also lost and the opportunity of deploy the machine in service also had been lost.	Referred to obtain the approval for repairing. It has been informed that after obtaining approval, the same repairing will be taken as soon as possible.	Repairing activities should be done without delay.
(b)	Even though agreements has been entered by the Elahera Pradeshiya Sabha in 2015 for 02 un authorized trade stalls occurred in the lands owned by the Sabha, assessing relevant rents , determination of agreement period were not carried out and action had not been taken to non-recovery of the rents for the same trade stalls.	Instructions has been requested from the Department of Local Authorities on the problematic condition.	Should be dealt with legally.

3.4 Idle or Underutilized Property, Plant and Equipment

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Even though the work of the library building which has been built under the rural electronic library project implemented by the Ministry of Local Authorities has been completed, it was observed that the same library building was remained idle due to unavailability of required human resources.	Adequate employees are unutilized and it has been informed that the employees employed for internal work are carried out duties in very uncomfortable manner with more number of subjects.	Action should be taken to utilize the assets.
(b)	A sum of Rs.15,675,708 which was paid without following proper financial procedures for partition and removing a boulder without the approval of the Sabha and a feasibility study for the implementation of a project for construction of a long distance service bus stand and a shopping complex during the period from 2015 to 2017 had been a fruitless expenditure. It was failure to fulfill the expected target even at the end of the year under review.	It has been informed that a basic investigation is being conducted in this matter.	Action should be taken to recover the loss occurred due to taking action without the approval of the Sabha.
(c)	A double cab vehicle belonging to the Pradeshiya Sabha was remained in idle.	It has been informed that actions are being taken to take over the cab vehicle by now.	Action should be taken to dispose the vehicle.

3.5 Assets Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Even though it had been stated that the cab vehicle bearing No.252-6453 has been run 1456 km in 7 instances(dates) with the chairman of the Sabha from 12 October 2022 to 24 October 2022, the chairman had not signed and certified in the relevant running chart.	It has been informed that it can be confirmed that this vehicle was used during the repair period of the official vehicle of the chairman	The relevant signs obtained in the running chart.

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| (b) | Two trucks which were handed over by the Department of Local Authorities of North Central Province on 22 March 2010 to the Sabha had not been registered even as at the end of the year under review. | It has been informed that written requests has been forwarded relevant to vest the un registered vehicles to the Department of Local Authorities. | Action should be taken to register. |
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**3.6 Human Resource Management
Audit Observation**

Comment of the Sabha

Recommendation

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| (a) | Action had not been taken by the responsible officers to fill the 20 vacancies in the approved cadre of the Pradeshiya Sabha as at 31 December 2023 in a proper manner. | It has been informed that the Department of Local Authorities has aware on this matter by the quarterly staff reports | Should be forwarded to the Provincial Public Service Commission |
| (b) | 13 loan files relevant to the employee loan value amounting to Rs.1,301,181 were not furnished to the audit and, the loan agreement(form general 272) and form general 158 relevant to the amount of Rs.719,584 paid, had not been completed. | It has been informed that the subject clerk has been informed in writing to complete all these files within two weeks and submit. | Disciplinary actions should be taken to non-forwarding of files. |

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Comment of the Sabha

Recommendation

Even though in terms of 1.3 of the circular No.4/2015 of Commissioner of Local Authorities of the North –Central province dated 18 March 2015, an internal audit officer should be appointed and a report should be presented to the General Meeting in every month, as other duties has been assigned to the relevant officer, adequate internal audit was not carried out and reports had not been presented.

It has been informed that a suitable officer for the internal audit is not available in the institute.

Internal audit should be implemented.

4.2 Audit Committee

Audit Observation	Comment of the Sabha	Recommendation
Even though , according to the Audit Guideline Circular No.NCP/LG/ACC 02/01 and dated 02 January 2023, the audit and management committee meeting should be conducted once in every quarter, only 01 audit and management committee had been conducted by the Pradeshia Sabha in the year under review.	Arrangements have been made to conduct audit and management committees according to the schedules sent from the second quarter of 2024	Audit management committees should be conducted as prescribed.

4.3 Environmental Problems

Audit Observation	Comment of the Sabha	Recommendation
Under Section 23(b) of the National Environment Act, No. 47 of 1980, the authority provides for the release, deposit and emission of air emissions and vibrations and noises in the industries. These licenses are to be renewed every three years, but 26 licensees whose environmental licenses expired in the year 2023 had not been taken actions to obtain the same licenses again.	Action will be taken to renew the licenses.	Regulation should be done relevant to environmental licenses.