

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Ella Pradeshiya Sabha for the year ended 31 December 2023 comprising the financial position as at 31 December 2023 and statement of financial operations, cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other clarifications 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 Sabha Act No.15 of 1987 and the provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported 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 Ella Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

**1.2 Basis for qualified Opinion**

My opinion is qualified based on 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 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 Principles and for such internal control as management determines 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 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 judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure 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 Pradeshiya Sabha's 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 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 discussions issued by the governing body of the company
- Whether the pradeshiya Sabha 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 the other legal requirements**

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- (a) The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .

- (b) The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

## 1.6 Audit Observations in relation to the preparation of the financial statements

### 1.6.1 Accounting Deficiencies

	<b>Audit observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a)	The work completed of Rs.33,652,262 in the preceding years had not been accounted under the buildings.	The action will be taken to rectify in the future.	The accounts should be accurately prepared.
(b)	The assessment value of Rs. 6,500,000 of 05 rooms located in Ella Police Road which had been demolished and removed in the preceding year had not been removed from the financial statements.	-Do -	-Do-
(c)	The amount of Rs. 74,323 overpaid as member allowance and telephone allowance in the year under review had not been identified as a receivable balance and accounted.	-Do-	-Do-
(d)	The travelling and combined allowance of Rs. 111,742 to be paid had not been identified as a payable balance in relation to year under review.	-Do-	-Do-

### 1.6.2 Unreconciled Control Accounts and Reports

	<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a)	There was a difference of Rs. 2,267,931 between the balances shown in the financial statements and the balances in schedules of 02 asset subjects.	The action will be taken to rectify.	The accurate balance should be included in the financial statements.
(b)	A difference of Rs. 73,856,183 existed between beginning balance of land and building in the statement financial position in the year under review and the beginning balance as per schedules.	-Do-	-Do-

### 1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the council	Recommendation
(a) In the year under review, the schedules or reports which explain the faults or deficiencies identified for verification of the accuracy of aggregate of Rs. 348,759 which had been adjusted in the ledger. Had not been submitted for audit.	The action will be taken to rectify.	The notes for rectifying the faults should be accurately maintained.
(b) The aggregate of Rs. 95,882,634 of 07 asset subjects couldn't be satisfactorily examined due to non-submission of work completion reports, letters which ensure the ownership, valuation reports and subsidiary books and schedules for verification the balance.	-Do-	The documents and schedules should be accurately maintained and accurately prepared the financial statements.

### 1.7 Non-Compliance

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

It had not been complied with rules, laws, regulations and management decisions in the following incidents.

Reference to rules, laws and regulations		Comment of the council	Recommendation
(a) Pradeshiya Sabha Act No.15 of 1987			
(i) Sections 23 and 24 (1)	The action had not been taken to publish the advertisements by indicating a register for the thoroughfares and narrow lanes having marking the permanent marks and boundaries of such thoroughfares and prepared the plans belonging to sabha.	The relevant tasks will be promptly carried out.	The action should be taken as per Pradeshiya Sabha Act.
(ii) Section 122	Even though the by-laws should be made required for the functions of exercising the powers and discharging the duties of pradeshiya sabha, no by-laws had been prepared to regularize 11 massage centres maintained in the jurisdiction of sabha in the year under review.	-Do-	-Do-

(b) Preadeshiya Sabha  
Financial and  
Administrative  
Rules 1988

218 Rule	No action had been taken to inspect the all lands and buildings by an inspection board.	-Do-	The action should be taken as per Financial and Administrative Rules
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## 2. Financial Review

### 2.1 Financial Results

As per the financial statements submitted, the income exceeded the recurrent expenditure of sabha was Rs. 13,419,693 for the year ended 31 December in the year under review and correspondingly, the income exceeded the recurrent expenditure was Rs. 4,873,204 in the preceding year.

### 2.2 Income Administration

#### 2.2.1 Estimate Income, Billed Income, Collected Income and Outstanding Income

As per the information submitted, the information on estimated income, billed income, collected income and outstanding income is as follows in the year under review and the preceding year.

	Income Source	<u>2023</u>			<u>2022</u>				
		Estimated Income	Billed Income	Collected Income	Outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Outstanding Income as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessment Tax and other tax	13,023,163	18,336,140	11,178,623	7,157,517	8,755,800	8,192,102	4,332,323	3,859,779
(ii)	Rents	2,298,000	3,146,065	2,655,225	490,840	900,000	952,285	489,529	462,756
(iii)	License Fees	1,806,000	2,014,950	2,014,950	0	1,572,200	985,000	985,000	0
(iv)	Other Income	8,940,000	6,321,328	6,275,978	45,350	17,767,000	17,022,080	6,163,800	10,858,280
	Total	<u>26,067,163</u>	<u>29,818,483</u>	<u>22,124,776</u>	<u>7,693,707</u>	<u>28,995,000</u>	<u>27,151,467</u>	<u>11,970,652</u>	<u>15,180,815</u>

### 2.2.2 Income Collection Performance

The observations in relation to the income collection performance of sabha are follows.

	Audit Observation	Comment of the Council	Recommendation
(a)	As at 31 December in the year under review, the Assessment Tax of Rs. 17,397, 290 due from 1877 assessment units had not been charged and no action had been taken in relation to outstanding Assessment Tax section 158 and 166 of Pradeshiya Sabha Act No. 15 of 1987.	The legal action will be taken on the persons who do not pay the outstanding tax.	Outstanding Assessment Tax should be recovered.
(b)	The outstanding shop rents of Rs. 425,721 existed since more than 03 years had not been recovered even in the year under review.	In September 2023, the legal action had been taken against one shop owner.	As per the agreements, outstanding shop rent should be recovered.
(c)	Outstanding water tariff of Rs. 1,022,490 existed more than 03 years had not been charged even in the year under review.	Outstanding notice had been issued. The action will be taken to recover by holding mobile services.	Outstanding income should be recovered.
(d)	The court fines of Rs. 6,547,100 and stamp duty of Rs. 15,960,678 receivable as at 31 December in the year under review had not been recovered.	The action is being taken to charge.	-Do-

## 3. Operating Review

### 3.1 Discharging the functions entrusted by Act

The facts observed in relation to regularization and control of the matters on public health, common utility services and common thoroughfares under section 3 of Pardeshiya Sabha Act and the functions to be performed by sabha such as wellbeing, convenience and welfare of the people are mentioned below.

#### Non-maintenance of public thoroughfares

Audit Observation	Comment of the council	Recommendation
As per section 122 of Pradeshiya Sabha Act No. 15 of 1987, the development of the roads belonging to pradeshiya sabha is a	It will be planned to lay carpets on the road having allocated the provisions from Ministry of Local	The public road development activities should be carried out as per Pradeshiya

function of sabha and even though the by road driven from Ella close to Ella Police Station which is difficult to use had been damaged, the attention of sabha had not been paid to the development of roads.

Government.

Sabha Act.

### 3.2 Operating Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) In 2019, one room located in the ground floor of Ella tourist bungalow had been developed suitably to the accommodation and only minimum income of Rs. 45,000 had been earned since 2019 up to year under review.	It is expected to earn income in the future after developing the building.	The action should be taken to fulfil the expected goals having completed the relevant task.
(b) A receivable income of Rs. 433,000 had lost to sabha due to not obtaining trade licenses for 483 business places maintained in the jurisdiction of pradeshiya sabha in 2023.	Non-availability of a permanent Income Inspector had caused to this matter and it had been informed to the Department of Local Government to fill the vacancy.	The action should be taken to accurately perform the role of sabha.
(c) In accordance with section 122 of Pradeshiya Sabha Act No.15 of 1987,even though the by-laws should be enforced in relation to the vehicle parking places, an income of Rs.3,243,690 had been earned as at 31 December 2023 without enforcement of by-laws for 02 parking places at Ravana waterfall and railway station.	The by-laws had been drafted and submitted to Department of Local Government.	The action should be taken as per Pradeshiya Sabha Act.

### 3.3 Assets Management

Audit Observation	Comment of the Council	Recommendation
(a) The old sabha building located in Kubalwela in Badualla Bandarawela main road had been idle since 2018 without utilization for any economic activity.	The building development activities are being carried out.	The buildings should be utilized for effective purposes.

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| (b) | No action had been taken to transfer the ownership of bowser, cab and 02 tractors which are used by sabha to sabha even up to 31 December in the year under review. | The action will be taken to transfer. | The ownership of the assets should be transferred to sabha. |
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### 3.4 Deficiencies in the Contract Administration

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) Even though it had been recommended that the piles of buildings of the Ella Tourist Information Centre contracted and constructed in 2015 should be erected on the hard bedrock layer with adequate load carrying capacity as per the construction fitness certificate issued by National Buildings Research Organization in 2016, an amount of Rs. 6,599,634 had been paid without erecting the work parts with the foundation of the building as per the physical existence.	Agreed.	Since it is a landslide vulnerable area, the constructions should be carried out after obtaining the approval of the National Buildings Research Organization.
(b) The construction of Ella tourist bungalow exceeded Rs.6 million which was the total cost estimate had been commenced in 2017. Even though the industry should be awarded on competitive bid calling, the contract had been awarded to an approved society having divided to 03 phases. The following facts had been observed at the inspection carried out in relation to this.		
(i) It had been reported to the audit that the industry file related to phase (1) had been misplaced. Accordingly, approved engineering plan relevant to construction, building plan, approved estimate, procurement activities, reports obtained from National Buildings Research Organization, progress on the constructions completed and payment details had not been submitted for verification.	Agreed.	The file in relation to the constructions should be maintained.
(ii) It had been entered into agreement of Rs. 1,894,795 with the approved society for the construction of the ground floor and another 02 floors of the building under phase (II). The concrete beams of first floor and concrete slab of second floor of the building had been only constructed.	Agreed.	In accordance with the plans, the work should be formally completed.



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| (iii) | It had been entered into agreement of Rs. 1,994,048 with the approved society from October 2017 to January 2018 under phase (III). An amount of Rs. 833,012 had been incurred for the work parts completed and the industry file had not been submitted to the audit. | Agreed. | -Do- |
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#### 4. Accountability and Good Governance

##### Environmental Issues

<b>Audit observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
The local visitors, tourists and people who come to the town had faced various difficulties and hindrances owing to location of waste management centre maintained by pradeshiya sabha close to Ella Bandarawela main road.	It is due to developed by COICA project in 2025.	The waste management activities should be formally carried out.