

## **Embilipitiya Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Embilipitiya Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of financial performance, statement of changes in equity and 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 Sbha 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 Embilipitiya 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 Pradeshiy 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

- 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 the 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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 the Pradeshiya Sabha 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 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 on the preparation of the financial statements

### 1.6.1 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) A value of a land had been overstated by Rs.2,075,000 and the value of 02 lands had been understated by Rs.5,003,550.	The action had been taken to rectify this fault.	It should be accurately accounted.
(b) The expenses of Rs.3,531,491 in capital nature carried out in Udawalawa cemetery and Thunkama weekly fair had not been capitalized and Rs.1,409,637 of the recurrent nature expenses carried out in Kuttigala Aurvedic building and Pallebadda sub post office had been capitalized.	-Do-	-Do-

### 1.6.2 Lack of Documentary Evidence for Audit

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
Even though a land in the name of Thibolketiya Weekly fair had been capitalized to an amount of Rs.1,289,400, its written ownership and the physical existence had not been verified.	It will be rectified having determined the written ownership and the physical existence.	The ownership of the assets should be settled.

## 1.7 Non-Compliance

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

Audit Observation	Comments of the Council	Recoomedation
(a) In accordance with the Financial Regulations 371(5), 02 advances of Rs.130,853 provided in 2013 had not been settled.	It had been recommended that it is appropriate to surcharge by District Audit Committee.	This money should be immediately settled.
(b) As per section 12.3 of Chapter XIV of the Establishment Code, the government's vehicles had been used for the duties by obtaining the commuted travelling allowances by former Secretary of Sabha.	The commuted travelling allowance is a variable allowance provided for the duties subject to a maximum limit. In addition, no transport allowance had been paid.	The action should be taken in accordance with the Establishment Code.

## 2. Financial Review

### 2.1 Financial Results

In accordance with the financial statements submitted, the revenue exceeded the recurrent expenditure of the sabha was Rs.17,117,028 for the year ended 31 December 2023 and correspondingly, the revenue exceeded the recurrent expenditure in the preceding year was Rs.27,125,593.

### 2.2 Income Administartion

#### 2.2.1 Estimated income, Billed income, Collected Income, and Income in Arrears

As per the information submitted by the Secretary, the information on estimated income, billed income, collected income and income in arrears in relation to the year under review and the preceding year are as follows.

Revenue Source	<u>2023</u>				<u>2022</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	9,163,303	9,230,374	9,569,583	9,332,561	9,745,304	9,373,625	7,278,265	10,387,878
Rents	9,095,088	9,381,889	9,347,549	1,156,776	10,111,388	8,472,302	6,770,425	7,943,638
License Fees	1,352,000	1,995,212	2,136,612	12,000	1,502,000	1,789,200	1,821,900	146,400
Other Income	<u>220,000</u>	<u>779,599</u>	<u>774,285</u>	<u>-</u>	<u>4,209,625</u>	<u>5,072,179</u>	<u>6,827,200</u>	<u>-</u>
	<u>19,830,391</u>	<u>21,387,074</u>	<u>21,828,029</u>	<u>10,501,337</u>	<u>25,568,317</u>	<u>24,707,306</u>	<u>22,697,790</u>	<u>18,477,916</u>

### 2.2.2 Performance on Income collection

Audit Observation	Comments of the Council	Recommendation
A balance of Rs.1,433,568 more than 05 years old had been included in the outstanding Assessment Tax balance of Rs.9,332,561 as at 31 December 2023.	The outstanding amount is recovered from various methods such as the mobile services.	The income of the Sabha should be promptly collected.

## 3. Operating Review

### 3.1 Solid Waste Management

Audit Observation	Comments of the Council	Recommendation
A waste of 3029 metric tons had been disposed from 2020 to 2023 in a land located in the tank bed of Chandrika tank by ignoring the public protests and polluting the aquatic environment.	Since there is no land available for disposing the waste, it was unable to plan and implement a waste management program.	A formal waste management program should be implemented.

**3.2 Irregular Transactions**  
**Audit Observations**

An investigation had not been conducted so far in relation to misplacement of 698 galvanized pipes worth of Rs.772,785 received in 2014.

**Comments of the Council**

It had been made aware to take action to hand over those pipes again.

**Recommendation**

It should be taken action as per Financial Regulations in relation to damages.

**3.3 Vehicles Utilization**  
**Audit Observation**

As per Vehicles Management Circular No.05/2020 dated 02 October 2020, condemned vehicles had not been disposed so far.

**Comments of the Council**

The Technical Committee had been appointed and the action is being taken to be appointed the Chairman of the committee.

**Recommendation**

The action should be taken as per the provisions of the circular.