

Ella Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ella Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of changes in Net Assets/Equity , Cash Flow Statement 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 Ella Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 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 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.

- (a) 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.
- (b) 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)	A non-refundable deposit of Rs. 20,000 paid in 2022 to acquire a land owned by the Sri Lanka Railways Department on a lease basis and a monthly lease amount of Rs. 60,000 paid in the previous year were stated as advances as of December 31 of the year under review.	That the correction will be made when submitting the accounts in 2025.	Accounts must be prepared correctly.
(b)	The supplier registration fee of Rs. 55,500 collected in the previous year had been accounted for as income in the year under review.	Do-	Do-
(c)	Fixed deposit interest income receivable as at 31st December of the year under review was overstated by Rs. 122,206 and interest income for the year under review was overstated by Rs. 262,285.	Do-	Do-

1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Recommendation Council
(a) Pradeshiya Sabha Act No. 15 of 1987		
(i) Section 19	In 2018, 03 field workers were recruited on a daily basis without approval.	The three workers were hired on a daily basis by the Pradeshiya Sabha in 2018. The necessary approval must be obtained according to the Act.
(ii) Section 23 & 24 (1)	Arrangements had not been made to prepare plans for the roads belonging to the council, mark them with permanent signs and boundaries, and publish notices as prescribed in the regulations, indicating a list of those roads and narrow paths.	A survey has been conducted regarding the roads and land will be cleared for this purpose in the future. Action must be taken in accordance with the provisions of the Act.

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. 46,494,289 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 13,419,693 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

The following is the information submitted by the Council Secretary regarding the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

Source of income	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.
(i) Rates and Taxes	52,402,442	41,812,750	25,366,035	37,125,625	14,524,963	18,336,140	13,676,434	23,144,299
(ii) Rent	6,609,000	28,903,663	28,639,702	2,129,836	2,598,000	3,146,065	2,971,756	1,587,497
(iii) License fees	4,610,000	3,315,800	3,271,600	44,200	1,936,000	2,014,950	2,011,950	3,000
(iv) Other Revenue	14,194,100	11,802,601	12,739,843	2,329,850	9,820,000	8,291,930	50,357,561	2,466,344
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Total	77,815,542	85,834,814	70,017,180	41,629,511	28,878,963	31,789,085	69,017,701	27,201,140
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2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

	Audit Observation	Comments of the council	Recommendation
(a)	Rates and Taxes		
(i)	As at 31st December of the year under review, the assessment tax amounting to Rs. 30,909,485 had not been collected, and the assessment tax arrears, which had been arrears for more than 05 years, amounted to Rs. 3,306,044.	Necessary steps are being taken to implement mobile services and take legal action as per the Pradeshiya Sabha Act to recover the arrears of assessment balance as on 31st December 2024.	The arrears of assessments should be collected in accordance with the provisions of the Act.
(ii)	The outstanding water charges of Rs. 1,119,861, which had been outstanding for more than 03 years, had not been collected in the year under review.	Revenue collection programs are currently being implemented and revenue is being collected.	Arrears of water charges should be collected according to agreements.

(b) Rent

Rs. 444,800 in arrears of shop rent, which had been arrears for more than 03 years, had not been collected in the year under review.	Legal action is being taken against one shopkeeper as he has left the area, while the other shopkeeper has submitted an affidavit stating that the outstanding amount will not be collected as the shop has been closed during this period.	Arrears of rent should be collected according to agreements.
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2.2.3 Court fines and Stamp duty

Audit Observation	Comments of the Council	Recommendation
Court fines of Rs. 9,904,352 and stamp duty of Rs. 38,164,874, which were receivable as at 31 st December of the year under review, had not been collected from the Chief Secretary of the Provincial Council and other authorities.	Schedules have been submitted in this regard, but the Provincial Council has not released this money.	Arrears of court fines and stamp duties should be collected.

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.

Audit Observation	Comments of the Council	Recommendation
(a) A balance of Rs. 22,640,961 had been retained in fixed deposits as at 31st December of the year under review without making any provision through the budget for the performance of the powers and functions vested in the Pradeshiya Sabha as per the Pradeshiya Sabha Act No. 15 of 1987.	No comments.	Council funds should be used effectively.

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| (b) | By-laws had not been prepared and implemented to regulate 19 massage centers operating within the Ella Pradeshiya Sabha area. | Since the council is to be established, steps will be taken to enact by-laws once the council is established. | By-laws should be prepared in accordance with the Act. |
| (c) | Although the two car parks near the Rawana Ella and the railway station, which are operated within the Pradeshiya Sabha limits, had collected a revenue of Rs. 3,553,175 as of December 31, 2024, by-laws had not been enacted. | Since the council is to be established, steps will be taken to enact by-laws once the council is established. | By-laws should be prepared in accordance with the Act. |

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
The values related to 05 accounting items with a total value of Rs. 52,000,896 had not been included in the assets registers.	The value of fixed assets of Rs. 52,000,896 will be adjusted when preparing the 2025 financial statements.	Fixed asset records should be maintained with values.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
Although construction had commenced for a tourist resort on the Pradeshiya Sabha land under the recommendation of Management Committee Decision No. 04 dated 22nd March 2017, the expected objectives had not been achieved with the amount of Rs. 5,268,843 spent for it as the construction had not been completed by the end of the year 2024.	An inspection of the construction of this building is underway, and until then it has been leased for a monthly fee of Rs. 82,500.	The relevant construction work should be completed and used for the intended purposes.

3.4 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
Ten officers had been employed for the council, exceeding the approved staff limit.	That the approved staff has been recruited based on service requirements.	The relevant positions must be approved.

3.5 Vehicle Fleet Management

Audit Observation	Comments of the Council	Recommendation
The final reports regarding the accidents that occurred to 02 vehicles belonging to the council in the years 2022 and 2023 had not been submitted for audit up to 31st December of the year under review.	Initial reports have been submitted, but the relevant final reports have not yet been provided by the Ministry of Local Government.	Reports should be submitted promptly and recommendations should be acted upon.

4. Accountability and Good Governance

4.1. Budgetary Control

Audit Observation	Comments of the Council	Recommendation
According to the budget prepared by the Pradeshiya Sabha for the year under review, when comparing the estimated income and expenditure with the actual income and expenditure of the year, there were variations ranging from 15 percent to 337 percent in 6 income items and from 14 percent to 222 percent in 08 expenditure items.	Instructions have been given to use the budget document as an effective control unit by minimizing the variations that occur in the budget document.	Estimates must be prepared accurately.

4.2 Environmental Problems

Audit Observation	Comments of the Council	Recommendation
(a) It had not been possible to obtain an environmental protection permit for the waste management center run by the local council.	Since there is no other location in Ella town to establish the Solid Waste Management Center, the Solid Waste Management Center has had to be maintained at this location.	Waste management should be carried out in a way that minimizes environmental problems.
(b) There was no formal system for disposing of Fecal waste within the Pradeshiya Sabha area, where over 586 hotels and lodges were located for the provision of tourism facilities.	No answers were given.	A formal system should be established for the disposal of Fecal waste.