

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ambagamuwa Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account including 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 Sub-section 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 accompanying financial statements give a true and fair view of the financial position of the Ambagamuwa Pradeshiya Sabha as at 31 December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

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 (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'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.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 scepticism 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 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 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 Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as required by Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6 (I) (d)(iv) of the National Audit Act, No. 19 of 2018.

1.6 Observations on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Without being stated the salary expenses of Rs. 35,090 relating to the year under review as an expenditure of the year, it had been adjusted to the Accumulated Fund.	It has been informed that the error will be corrected.	Transactions should be correctly identified in the financial statements.
(b) The value of 42 blocks of land used by the Sabha and included in the Register of Lands and Buildings maintained by the Sabha had not been assessed and brought to account.	It has been informed that action is being taken to obtain a temporary assessment relating to the relevant lands from the Technical Officer and the Revenue Officer.	All assets should be brought to account.
(c) There were overstatements of assets totalling Rs.1,362,800 on 03 occasions and understatements of assets totalling Rs.129,250 on one occasion in the financial statements.	It has been informed that this error will be corrected in the preparation of financial statements in the year 2022.	Financial statements should be prepared correctly.

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
There observed differences of Rs.419,221 when comparing 03 accounts balances in the financial statements with the related schedules.	It has been informed that this matter will be looked into and documented.	The differences of the accounts balances should be looked into and relevant schedules or financial statements should be corrected.

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. 29,540,126 for the year ended 31 December 2021 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 31,943,635.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
Rent		
A sum of Rs. 888,354 due from 06 properties had not been recovered by following tender procedures.	It has been informed that a case has been filed to recover the outstanding amount of Rs.598,660 , two persons with an outstanding tax of Rs.180,815 have been referred to the arbitration board and payments at Rs.10,000 per month will be made , and three lessees who are in arrears of Rs. 71,829 cannot be prosecuted as the arrears have exceeded 10 years.	Arrears of revenue should be recovered.

3. Operating Review

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.

3.1 Deficiencies in the Contract Administration

Audit Observation

Constructions of the Ambagamuwa crematorium expected to be built at a cost of Rs.24 million of the Sabha funds should have been completed by 04 April 2022. Nevertheless, by the time of physical inspection carried out on 22 February 2022, only the foundation had been laid and brick walls had been built to a height of a few feet. The ownership of the land had not been taken over by the Sabha before the construction of the crematorium.

Comment of the Sabha

It has been informed that the walls have been completed up to the roof level by 10 August 2022 and the work valued at Rs. 7,007,415 has been completed. Due to the unfavourable situation prevailed in the country, extension has been given to complete the project until 08 January 2023 and the approval of the Honorable Minister of Lands has been granted for taking over the land at present.

Recommendation

Constructions should be completed expeditiously and ownership of the land should be taken over to the Sabha.

4. Accountability and Good Governance

4.1 Environmental Issue

Audit Observation

About 653 tons of garbage had been generated in the jurisdiction of Ambagamuwa Pradeshiya Sabha, including 502 tons of biodegradable garbage and 151 tons of non-biodegradable garbage during the period from January to December 2020. Since the council had not identified a place for waste management, the garbage had been taken to the Rikatan waste yard of the Maskeliya Pradeshiya Sabha situated at a distance of about 90 kilometers daily. For that purpose, Rs.17,904,730 had been spent from January to December 2021, including Rs.1,583,875 for fuel and repair cost for a tipper, a lorry and a tractor and Rs.16,320,850 for the salaries of 13 health workers and two drivers for the transportation of waste. If this waste could be managed within the jurisdiction of the Sabha, the cost of fuel, overtime and combined allowances can be reduced.

Comment of the Sabha

It has been informed that action has been taken to identify a suitable land for that purpose since the council does not have a garbage yard and until then this expenditure has to be incurred.

Recommendation

Waste management should be carried out so as to minimize the cost.