

Ambalangoda Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ambalangoda Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, statement of changes in net Assets, Cash Flow Statement for the year then ended 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 Sub-Section 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 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 accompanying financial statements give a true and fair view of the financial position of the Ambalangoda Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 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 skepticism 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 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Expenses of Rs.451,385 which should be accounted under recurrent expenses were accounted under capital expenses, while the value of computers and accessories was understated by Rs.2,756,098.	That will be corrected by journal entries.	Should be accounted properly.
(b)	Rs. 13,076,355 worth of motor vehicle loss and 02 trailers worth Rs.328,000 were not accounted.	That will be corrected by journal entries.	Should be accounted properly.
(c)	Recurrent expenditure Rs.460,290 had been written off from fixed assets instead of written off from Capital Expenditure account in correction.	That will be corrected by journal entries.	Should be accounted properly.

(d) The amount payable to the Provincial Pension Fund was Rs.4,422,644, and in paying the amount in instalments, the amount of Rs.500,000 related to the year under review was debited to the expense account instead of being debited to the creditor account.	The comment had not been given	Should be accounted properly.
(e) There was a difference of Rs.115,376 between the balance of fixed asset additions as per the financial statements and the balance as per the statement of net assets and there was also a difference of Rs.460,290 between the total of fixed assets and the account of contribution to capital contribution by income and donation.	That will be corrected by journal entries.	Differences should be identified and corrected.

1.6.2 Non reconciled control account or records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.267,250 between the financial statements and the usage records of library book purchases.	That will be corrected in the future.	Action should be taken to rectify the accounts after comparing differences.

1.6.3 Absence of written evidence for audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of necessary information, 03 accounting items totaling to Rs.2,287,409 could not be satisfactorily checked.	That will be corrected in the future.	Evidence should be submitted to confirm the account balances.

1.7 Non-compliances

1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
Urban Development Authority Act No. 41 of 1978 and Extra Ordinary Gazette No. 2235/54 issued on 08 July 2021	The council had not proceeded to charge Rs. 90,000 as preliminary fees related to settling the preliminary plans.	The letters have been sent to the Telecommunication s and Regulatory Commission requesting information.	Action should be taken according to the Gazette.

1.7.2 Unauthorized transactions

Audit Observation	Comment of the Sabha	Recommendation
The secretary had used the council's vehicle for 4 times a day between home and office without group transport facilities and had paid Rs.629,423 for fuel in the year 2023.	Suitable program will be implemented in the future.	Vehicles should be used to minimize costs.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.34,833,092 as against with the excess of Revenue over recurrent expenditure amounting to Rs. 22,170,644 in the preceding year.

2.2 Revenue Administration

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

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,502,500	1,538,171	1,527,401	270,001	1,366,200	1,263,512	1,258,523	259,231
Rent	6,631,360	6,349,958	2,659,260	4,570,543	6,329,690	6,628,251	7,884,299	879,845
License Fees	201,000	179,207	105,807	93,200	76,000	158,513	322,853	19,800
Other revenue	15,384,000	13,982,055	13,192,465	2,496,248	8,397,000	11,719,688	12,678,231	1,706,658
Total	23,718,860	22,049,391	17,484,933	7,429,992	16,168,890	19,769,964	22,143,906	2,865,534

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
(a) The total outstanding income at the beginning of the year under review was Rs.2,865,534 and at the end of the year it was Rs.7,429,992.	Action will be taken to develop charges.	The arrears of income should be collected.
(b) Consisting of 42 Grama Seva areas in Ambalangoda Pradeshiya Sabha area had not taken steps to increase the income of the Sabha by collecting assessment tax in terms of Section 134(1) and (2) of the Pradeshiya Sabha Act No. 15 of 1987.	So far, it has been started and is being carried out.	The action should be taken to increase income.
(c) The lease holders residing in Batapola and Meetiyagoda area of authority the outstanding acre lease balance from 312 acre valued at Rs.259,188 had not been recovered for more than 05 years.	The documents have been prepared and forwarded to be submitted for the Governor's approval.	Acreage tax arrears, which have been in arrears for many years, should be recovered.

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| (d) | The action had not been taken to collect a fee of Rs.211,360 from 37 hoardings that had been displayed. | All arrears have been collected by now. | The action should be taken to charges for hoardings. |
| (e) | Court fines of Rs.492,067 and stamp duty of Rs.20,432,979 should have been received from the Chief Secretary of the Provincial Council and other authorities. | Recovering has been completed in the year 2024. | The arrears of income should be collected up to date. |

3. Operational Review

3.1 Identified losses

Audit Observation	Comment of the Sabha	Recommendation
(a) In contrary of the provisions of Section 132 of the Pradeshiya Shaba Act No. 15 of 1987, for the collection of stamp duty of Rs.5,209,658 due from the Colombo Land Registrar's Office in the year 2020 and 2021, 05 officers including the Secretary of the Council on 02 times from the Council Fund, Rs.156,290 had been paid as incentives.	The payments have been made as per Decision No. 2023/05/19/128.	Action should be taken according to the Act.
(b) 21503 books valued at Rs.2,831,876 were purchased by incurring a loss of Rs.808,500 in the procurement procedure in behalf of free distribution of exercise books to the school children in the council area and those books were remained in the stores for a period of 10 months without distribution.	With the announcement of the dates for the local government elections, the distribution of books has been stopped in accordance with the election laws.	According to the procurement rules, the purchase must be made.

3.2 Management Ineficiencies

Audit Observation

03 lands of 36 acres 04 roods 9.33 perches were auctioned without the approval of the Pradeshiya Sabha, and the council had not taken any action in this regard.

Comment of the Sabha

The approval is not given on non-completion of notified deficiencies.

Recommendation

The action should be done according to the council's approval.

3.3 Operetional Ineficiencies

Audit Observation

The Big City water project, which was started in the year 2021, was distributing water to 22 consumers, however the council had not taken action to install water meters and collect fees.

Comment of the Sabha

we will not charge the water charges until the water sample test is done and the report is received.

Recommendation

Arrangements should be made to collect water charges immediately.

3.4 Assets Management

Audit Observation

The ownership of 18 lands that are not owned by the council had not been formally acquired to the council.

Comment of the Sabha

An application has been made to obtain assignment orders.

Recommendation

Land ownership should be taken over.

3.5 Deficiencies in contract administration

Audit Observation

(a) Rs.191,035 were overpaid due to non-use of prescribed rates for the construction work of side drain on Green Field road and side drain on road near Aluthwala School.

Comment of the Sabha

Agreed with the Audit observation.

Recommendation

Payments should be made using the prescribed rates.

(b) There had been an overpayment of Rs.178,760 due to non-use of fixed price rates for the construction of the side wall of the Dodanduwa Gedara Watta road.	Agreed with the Audit observation.	Payments should be made using the prescribed rates.
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3.6 Human Resource Management

Audit Observation

A loan balance of Rs.91,394 due from 03 employees who retired after serving in the Sabha, died and left the service was not recovered.

Comment of the Sabha

The further steps will be taken to write off and recover the loan balances.

Recommendation

Outstanding loan balances should be recovered.