

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 2022 comprising the Statement of financial position as at 31 December 2022, Statement of Financial Operations, statement of changes in net Assets, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 2022, 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.

- (a) 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.
- (b) 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) Fixed assets valued at Rs.1,448,744 purchased by the Sabha during the year under review had not been capitalized.	It will be corrected in future.	Should be accounted properly.
(b) The creditor provision was not made for the expenditure of Rs.3,442,359 related to an construction work whose work was completed during the year under review, and creditor provision of Rs.3,160,000 was made in respect of 03 construction work whose work was not completed during the year under review.	-do-	- do -
(c) The expenditure of Rs.3,718,066 incurred for the development of land belonging of the Sabha during the year under review was not capitalized under land and buildings.	It will be corrected in future.	Should be accounted properly.
(d) The general stores stock had been under-stated by Rs.111,440 during the year under review.	- do -	- do -
(e) The creditor provisions had not been made for the contributions payable to the Local Government Pension Fund	Will be corrected in future.	The provision should be made for payable expenditure.

amounting to Rs.4,422,464 as at 31 December of the year under review.

(f)	A difference of Rs.255,724 was observed between the total of fixed assets and the account of Contribution of revenue to capital application which should be equal to each other.	Will be corrected in future.	Should be accounted properly.
(g)	The water tax balance of Rs.3,017,952 receivable from water projects owed by the Sabha had not been accounted as at 31 December of the year under review.	- do -	- do -

1.6.2 Non reconciled control account or records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 1,852,381 between the balances related to 03 accounting items shown in the financial statements as at 31 December of the year under review and the balances shown in the related utility registers and schedules.	Will be corrected by in future.	Action should be taken to rectify the accounts after comparing differences.

1.6.3 Lack of Documentary evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
The necessary detailed schedules were not submitted for the confirmation of 08 accounting items aggregating to Rs.213,790,889.	Will be corrected in 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

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) The Section 23 and 24 of the Pradeshiya Sabha Act No. 15 of 1987	A road inventory containing details of the 201.85 km Sabha roads owned by the Sabha had not been prepared.	The road inventory is currently being prepared.	Action should be taken according to the Act.
(b) The Finance Regulations 570, 571 and 572 of the Democratic Socialist Republic of Sri Lanka	The overdue lapsed deposits from the deposits amounting to Rs. 1,424,256, which had been made in 32 times, were not disposal as at 31 December of the year under review.	The action should be taken to get in to the income.	The action should be taken according to the Finance Regulation.

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 2022 amounted to Rs. 22,170,644 as against with the excess of recurrent expenditure over revenue amounting to Rs. 4,358,100 in the preceding year.

2.2 Revenue Administration

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

According to the information presented by the Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are given below.

Source of Revenue	2022				2021			
	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	1,366,200	1,263,512	1,258,523	259,231	1,502,000	990,272	998,852	254,242
Rent	6,329,690	6,628,251	7,884,299	879,845	2,465,360	6,315,236	5,754,197	2,135,893
License Fees	76,000	158,513	322,853	19,800	75,000	142,531	38,049	184,080
Other revenue	8,397,000	11,719,688	12,678,231	1,706,658	11,126,000	8,122,461	8,146,173	2,665,201
	16,168,890	19,769,964	22,143,906	2,865,534	15,168,360	15,570,500	14,937,271	5,239,416

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Total outstanding income as at 01 January of the year under review was Rs.5,239,416 and at the end of the year under review it was Rs.2,865,534.	The percentage of revenue collection will be increased in the future.	The arrears of income should be collected as soon as possible.
(b) The arrears of rent was Rs.879,845 and there were 16 shop room in Mahawatta Public Market, the lease agreements had not been entered to none them as at 31 December of the year under review.	An assessment will be made and shop room agreements will be updated.	In case of lease of shop rooms, agreement with the lessee should be entered.
(c) According to the 2015 stall rent valuation for 14 shops in the Batapola two-story shopping complex, the monthly rent was Rs. 57,400, the stall rent was being charged based on the same valuation even in the year 2022.	The rent is being collected as per 2015 valuation from the year 2020.	Action should be taken according to the Circular.
(d) The outstanding tax balance of Rs.837,055 due from the tendering of Metiyagoda weekly fair and Batapola weekly fair from the year 2018 had not been recovered.	The legal action has been taken for recovery of arrears.	The action should be made to recover the balance due.

3. Operational Review

3.1 Solid Waste Management

Audit Observation	Comment of the Sabha	Recommendation
The Sabha collects 40,000 kg of decomposable garbage and 10,000 kg of non-decomposable garbage every month, and due to their informal disposal at the organic fertilizer production yard, a garbage dump was created with a height of 30-40 feet.	This waste is intended to be used for the landfilling of Meetiyagoda playground.	Proper action should be taken for waste management.

3.2 Human Resources Management

Audit Observation	Comment of the Sabha	Recommendation
There were 05 Staff loan balances of Rs.149,317 that had not been charged to the Sabha, and the Sabha had not taken action to recover those outstanding loan balances as at 31 December 2022.	The action will be taken to recover the loans immediately	Outstanding loan balances should be recovered.