

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akmeemana 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 provisions in 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 Akmeemana 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)	02 vehicles valued at Rs.7,521,373 assigned to the name of the council in year 2013 and 2019 and fixed assets valued at Rs.92,000 purchased during the year under review were not capitalized.	Will be rectified in the future.	Should be accounted correctly.
(b)	The assessment of Rs.308,511 received for the coming year was not accounted under the pre received assessment and the court fine of Rs.1,050,000 received in the year under reviewed was also not accounted under the income of the year under review.	- do -	- do -
(c)	Stamp duties amounting to Rs.318,629 and fixed deposits amounting to Rs.2,367,279 were over-accounted.	- do -	- do -

(d)	The creditor provision had not been made for unpaid expenses amounting to Rs.48,193.	- do -	- do -
(e)	Although the balance of Rs.133,986 shown in the work creditors and debtors balance had been received and paid in cash, it was further shown in the receivables and payable balances.	Will be corrected in the future.	Should be accounted correctly.
(f)	Rs.73,086 related to 02 industries carried out by the council had not been accounted under the payable works.	- do -	- do -

1.6.2 Non reconciled control account or Records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.544,276 between the balances related to 03 accounting items shown in the financial statements and the balances shown in the related utility schedules.	Will be corrected in the future.	Action should be taken to rectify accounts after comparing differences.

1.6.3 Lack of documentary evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of necessary information for the confirmation of 05 accounting items, aggregating to Rs.19,367,908 could not be examine satisfactorily.	Will be corrected in the future.	Evidence confirming the account balances should be presented.

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
19 of the Pradeshiya Sabha (Finance and Administration) Rules, 1988	All Counterfoil Books were to be in the custody of the Secretary, who was personally responsible for their safekeeping and proper use, contrary to that, 247 receipt books were under the custody of the Storekeeper.	All Counterfoil books are stored in a separate cupboard and kept safe.	Action should be taken according to the Rules

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.96,392,891 as compared with the excess of revenue over recurrent expenditure amounting to Rs.12,162,393 in the preceding year.

2.2 Revenue Administration

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

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.
Assessment and Tax	5,882,505	9,321,395	8,454,607	16,224,172	5,080,000	4,630,180	3,118,747	15,357,384
Rent	2,508,600	2,597,335	2,609,002	689,811	43,595,000	2,339,200	2,177,217	701,478
Licen fees	2,890,150	5,912,560	5,890,060	77,000	50,385,060	6,067,343	6,095,643	54,500
Other Income	21,891,070	23,232,625	23,164,335	739,130	53,060,600	10,140,566	10,016,566	670,840
	33,172,325	41,063,915	40,118,004	17,730,113	152,120,660	23,177,289	21,408,173	16,784,202

2.2.2 Performance in Revenue Collection

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The total outstanding income as at 01 January of the year under review was Rs.16,784,202, and at the end of the year there was a receivable balance of Rs.17,730,113.	Action will be taken to collect the arrears of income.	Arrears of income should be collected.
(b)	There were 6003 units that did not pay any tax from the assessment tax income related to the year, and the assessment tax income to be collected from those units was Rs.14,773,222, so the council's income collection was at a weak level.	The action had been taken to inform in writing	A program should be implemented to recover the arrears.
(c)	The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities were Rs.427,000 and stamp fees was Rs.200,652,483.	Action should be taken to collect arrears of income.	Arrears of income should be collected.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
	The engine of the tractor costing Rs.800,000 was idle for 02 years, and the attention of the council was not draw to repair it and use.	The said tractor will be used for running after the repair.	Assets should be repaired promptly.

3.2 Operational Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	A fee of Rs.1,084,300 had not been collected for 40 hoardings displayed in the area of authority.	The legal action will be taken against those who do not pay fees.	Receivable hoarding fees shall be charged.

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| (b) | The Sabha had lost an income of Rs.67,500 due to 15 business establishments running their business without obtaining environmental protection licenses. | The further action will be carried out. | The action should be taken in accordance with the Act. |
| (c) | An income of Rs.162,000 had been lost due to the fact that the Sabha had not taken measures to renew the licenses of 36 industries located within the area of authority of the Sabha. | The arrangements are being taken for granting environmental protection permits. | A field inspection should be done and arrangements should be made to issue permits. |

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) The title deed of 39 lands owned by the council was not in the council, and the title deeds of 15 lands were not owned by the council.	The actions are being taken to acquire to the Sabha.	Land title deeds should be obtained.
(b) 04 vehicles valued at Rs.1,650,000 given to the Sabha in the year 2012 and 02 water bowsers purchased by the Sabha at a cost of Rs.600,000 were not registered in the name of the council.	The Commissioner General of Motor Transport has been asked.	The action should be taken to acquire the assets owned by the Sabha.
(c) The gully bowser, which cost Rs.700,000, remained idle from the year 2020.	The action will be taken start the gully service after the repair work will be done.	The assets should be fully utilized.
(d) The compactor valued at Rs.6,221,373 received for garbage transportation in the year 2019 was underutilized.	The compactor is used only for transporting non-decomposed waste.	The assets should be fully utilized.
(e) 90 items belonging to 14 types of electrical goods which had been purchased in the year 2018 and before by the Sabha by paying Rs.98,995 remained in the stores without being used.	The items are suitable to be kept in storage to be used for necessary maintenance work.	Procurement should be done considering the requirement.

3.4 Deficiencies in contract administration

	Audit Observation	Comment of the Sabha	Recommendation
(a)	For 03 road development industries, Rs.349,538 were overpaid for those 03 industries due to non-use of prescribed price rates.	Lack of awareness of price release.	Appropriate price rates should be used.
(b)	Rs.596,404 were overpaid in relation to 21 works due to non-use of the prices introduced by the Provincial Road Development Authority for road development works.	These rates are used for long-term projects.	Appropriate price rates should be used.

3.5 Human Recourse Management

	Audit Observation	Comment of the Sabha	Recommendation
	The receivable balance of Rs.132,191 from an officer who served in the council and was interdicted had not been recovered.	That is a balance of debt due from the year 1998.	Outstanding loan balances should be recovered.