

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akuressa Pradeshiya Sabha for the year ended 31 December 2023 comprising the financial position as at 31 December 2023 and statement of financial performance, statement of changes in assets and the 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 subsection 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 reported 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 Akuressa Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on 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 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 Principles and for such internal control as management determines 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 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 of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 judgement and maintain professional skepticism throughout the audit. I also

- Appropriate audit procedure 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 Pradeshiya Sabha's 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 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 discussions 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 the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit Observations on Preparation of the Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation -----	Comments of the sabha -----	Recommendation -----
(a)	The assessment value of Rs. 1,368,000 of the public toilet located in Miriswatta land otherwise Thanayamwatta belonging to sabha had not been accounted under land and buildings.	The actions will be taken to rectify in due course.	It should be accurately accounted.
(b)	The receivable court fines of Rs. 1,371,226 had been overstated.	The actions will be taken to rectify in due course.	It should be accurately accounted.
(c)	The provision for creditors had not been made for payable expense of Rs. 112,447.	The actions will be taken to rectify in due course.	It should be accurately accounted.

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| (d) | 106 units belonging to 23 items in inventory nature worth of Rs. 295,990 and 06 asset units belonging to 04 asset items worth of Rs. 88,400 to be accounted under machines and machineries had been accounted under furniture and equipment. | The actions will be taken to rectify in due course. | It should be accurately accounted. |
| (e) | The aggregate value of Rs. 13,343,116 of 05 vehicles accounted under motor vehicles and carts had been understated and aggregate value of Rs. 12,126,666 of 02 vehicles had been overstated. | The actions will be taken to rectify in due course. | It should be accurately accounted. |
| (f) | The chargeable amount of Rs. 488,900 for 38 advertisement boards exhibited in the jurisdiction had not been accounted. | It will be accounted having charged the license fee. | It should be accurately accounted. |

1.6.2 unreconciled Control Accounts or Reports

Audit Observation	Comments of the sabha	Recommendation
There was a difference of Rs. 187,607 between the relevant balances related to an accounting subject indicated in the financial statements and the balances indicated in relevant subsidiary books/schedules.	The court fines had been charged for the business tax on which the case had been filed and outstanding trade licenses from 2020 to 2022.	The action should be taken to rectify the accounts having reconciled the differences of relevant balances.

1.7 Non-Compliances

1.7.1 Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, regulations	Non-Compliance	Comments of the sabha	Recommendation
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(a) F.R.371 of Financial Regulations of Democratic Socialist Republic of Sri Lanka	An advance amount of Rs. 300,000 had been received by Secretary of sabha exceeding the imprest limit for a workshop.	The action had been taken by Secretary of sabha to settle the imprest having received such amount and incurred properly.	The action should be taken in terms of Financial Regulations.
(b) Public Finance Circular No.01/2021 dated 29 September 2021	Even though Henegama Playground had been handed over to a contract	It had been contracted with a society approved by sabha and sabha had	The action should be taken as per the

society at a contracted amount of Rs. 4,517,003 for development of that ground at 02 occasions, it had been handed over to another contractor in C-4 Grade on inability of fulfilling the relevant tasks. not been made aware to provisions be carried out the contract through a private contract.

2. Financial Review

2.1 Financial Results

As per the financial statements submitted, the recurrent income exceeding the recurrent expenditure of the sabha was Rs. 9,355,475 for the year ended 31 December in the year under review and correspondingly, the recurrent expenditure exceeding the income was Rs.925, 273 in the preceding year.

2.2 Income Administration

2.2.1 Estimated Income, Billed Income, Collected Income, Outstanding Income

Income Source	2023				2022			
	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment Tax and other taxes	6,551,000	3,971,428	4,160,242	1,952,381	7,451,000	2,425,027	2,235,903	2,141,195
(ii) Rents	8,900,000	4,931,537	4,078,684	7,649,077	6,850,000	5,488,380	7,603,326	6,796,224
(iii) License Fees	6,198,800	3,327,989	3,327,989	-	2,309,250	1,997,218	1,997,218	-
(iv) Other Income	26,335,300	17,608,700	18,639,261	41,760	17,729,000	12,738,988	11,925,397	1,072,321
	<u>47,985,100</u>	<u>29,839,654</u>	<u>30,206,176</u>	<u>9,643,218</u>	<u>34,339,250</u>	<u>22,649,613</u>	<u>23,761,844</u>	<u>10,009,740</u>

2.2.2 Income Collection Performance

Audit Observation	Comments of the sabha	Recommendation
(a) An outstanding balance of Rs. 1,952,381 prevailed in relation to 1429 assessment units and the outstanding period had exceeded more than 03 years for a balances of Rs. 1,466,847.	An amount of Rs.40,981 out of outstanding assessment tax balance more than 03 years had been recovered as at 31 December 2024 and the steps will be taken to send the red notices to recover the remaining outstanding amount and take legal action also.	Outstanding income should be immediately recovered.
(b) 232 shops out of 266 belonging to sabha had been leased and shop rent balance of Rs.6,795,959 had to be recovered from 168 lessees. The outstanding period had exceeded more than 3 years for a balance of Rs. 5,356,778 from 45 lessees.	The all lessees had been made aware and currently, the cases had been filed against the lessees who should pay the outstanding rent.	Outstanding income promptly recovered.
(c) 25 shops belonging to sabha had been leased without entering into contracts.	The lessees had been made aware in writing and the action will be taken to take over the shops on which the consent had not been given for entering into contract.	The action should be taken as per the circular.
(d) As per the paragraph 04 of circular No. දපපා/පපාකො/2010/01 dated 27 December 2010 of Local Government Commissioner of Southern Province, Rs. 929,554 from 18 shops had to be charged at one time and as per paragraph 05, the lease agreements of 133 shops in 02 shopping complexes belonging to sabha had not been updated within the time frame 02-32 years. Similarly, the lease amount assessment of 99 shops in the shopping complex in the world market had not been updated in accordance with paragraph 06 of the circular and 14 shops had been sub leased to other parties deviation from the provisions in the paragraph 11 of such circular.	It had been given consent to pay the balance amount through the mediation board at one time and the attention of the sabha had been paid to formally construct the shops and lease. Similarly, it had been submitted to the Department of Valuation for obtaining the valuation of the shops and the future action will be taken having appointed a committee for the inspection of sub lease.	The action should be taken as per the circular.

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| (e) | 43 shops of 02 shopping complexes had been closed due to non-maintenance and a rent of Rs. 3,843,749 had to be charged from such shops. | It had been decided to attractively renovate the public market and the decision will be taken on the shops closed after commencement of such activities. | The action should be taken as per the circular. |
| (f) | The court fines of Rs. 2,956,726 and stamp duty of Rs. 34,647,002 were receivable from Chief Secretary and other officers of the provincial council. | It had been requested to obtain from Chief Secretary's Office. | Outstanding income should be recovered without delay. |

3. Operational Review

3.1 Discharging the functions entrusted by the Act

The facts observed on regularization and control of public health, public utility services and public thoroughfares under section 3 of Pradeshiya Sabha Act and discharging of the functions such as wellbeing, convenience and welfare of the people to be performed by sabha are as follows.

Audit Observation	Comments of the sabha	Recommendation
(a) Even though the provision of Rs. 9,000,000 had been allocated for implementing 02 projects, it had not been performed.	It had been requested to obtain the loan facilities from Local Loan Development Fund and the consent for that project had been received in 2024.	Such projects should be expeditiously implemented.
(b) At the inspection of non-degradable waste recycle building completely constructed, it was observed that such building had not been effectively utilized for recycle of the non-degradable waste and non-degradable waste including polythene and plastic had been kept in very informal manner.	A large amount of provision cannot be allocated from sabha fund at once and such activities are being completed phase by phase.	A formal waste management program should be implemented.

3.2 Management Inefficiencies

Audit Observation -----	Comments of the sabha -----	Recommendation -----
07 shops in World Market Shopping Complex had been constructed in an unauthorized manner and such 03 shops constructed in an unauthorized manner had been leased to other parties. Similarly, since the plan of several rooms in this complex had been changed and made various constructions not attracting the consumers, many of such rooms had been closed.	The sabha had decided to obtain the instructions from local Government Commissioner for taking further action and it had been discussed to modernize shops in the public market from the money of lessees in accordance with the request of lessees attracting the customers.	The necessary action should be taken by sabha in relation to unauthorized constructions and effectively utilization of shops.

3.3 Operating Inefficiencies

Audit Observation -----	Comments of the sabha -----	Recommendation -----
(a) Even though 03-07 years had elapsed from providing the building development licenses by approving 286 building applications during the period from 2016 to 2020, the certificate of compliance had been obtained for only 32 buildings. It is 11 percent from the approved building applications.	The action will be taken to inform the necessary instructions to such owners having inspected the all building plans on which the development licenses had been obtained.	The action should be taken as per the Act.
(b) A material stock of Rs. 201,800 purchased at 02 occasions for sabha had not been included in the registers.	The stores officers and all subject officers had been made aware to issue having included the all goods purchased into the accounts.	The action should be taken as per the rules.

3.4 Transactions of Contentious Nature

Audit Observation	Comments of the sabha	Recommendation
(a) An amount of Rs. 215,900 had been paid to an external party in 2022 and 2023 for providing the transport facilities to the officers of Akuressa Pradeshiya Sabha for participation to an annual conference.	The action had been taken as per the instructions given by letters of Governor's Secretary in Southern Province and Chief Secretary Of Southern Province.	The action should be taken as per the Establishments Code, Financial Regulations and the circular provisions.
(b) The 11 stock balances worth of Rs. 25,593,658 including in the stores accounts summary submitted with the financial statements has been carrying forward since many years and no stock had physically existed for such balances with sabha.	Even though these balances are continuously submitted from only the stores summary for the preparation of accounts, it couldn't be found that no document had been maintained so far with the stores.	The action should be expeditiously taken.

3.5 Contract Administration

Audit Observation	Comments of the sabha	Recommendation
(a) In broadening the Ellewela Playground belonging to sabha , even though a rate of Rs. 126 should be used as per the buildings quotations (BSR) introduced under Ew-10 for the second half of 2021 by Southern Province Engineering Services Office for leveling the playground inside 100 m after digging soil 4184 cubic meters, the payment had been made to the contractor by using the rate of Rs. 239 as per the building quotations (BSR) introduced under Ew-10a for transportation of soil to a distance of 01 km after digging soil and an amount of Rs. 472,792 had been overpaid as Rs.113 for 01 cubic meters.	The soil dug from the embankment was about 4447.98 cubic meters. At that incident, the payment had been made for 4184 cubic meter only. The excess soil of 263.98 cubic meters had been used for filling the slope area of the ground and the contracted society had removed the soil on which the payment had been made from the ground as per the estimates and since soil 4184 cubic meters cannot be leveled in the playground, the necessary action had been taken to remove that quantity from that area.	The accurate rates should be used.
(b) Under the project for development of Wilehena Yakabedda by road, even though	Even though the road had been erected by joining 03 roads on the	The projects should be

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| <p>the box type culvert constructed by incurring an amount of Rs.291,696 had been completed on 28 December 2020, about 03 years had elapsed. That culvert had not been erected in a usable manner and enabling to connect to the existing road.</p> | <p>request of the people, the Divisional Secretary had been made aware on non-agreement of the owners of government license land in one side for broadening road and allocation of the lands required for the development of the road.</p> | <p>effectively implemented.</p> |
| <p>(c) An amount of Rs. 4,342,061 had been incurred for the development of Henegama Public Playground and an amount of Rs. 1,800,403 had been overpaid to the relevant contractor owing to non-calculation of relevant specified rates and soil quantity accurately for its 04 work subjects.</p> | <p>In this work, the soil had not been piled and the quantity of soil had been calculated by taking levels. Since the site was located about 100m far from place of digging the soil in carrying out the work the soil dug is loose soil .Therefore, since that loose soil had been carried to the site and laid, total soil had been mixed in the site and no overpayment had been made.</p> | <p>The payments should be made as per specified rates.</p> |
| <p>(d) An amount of Rs. 1,652,228 had been paid to the contract society by retaining the retention m money for the completion of the balance work of non-degradable waste collection building in Paraduwa waste recycle centre and a total amount of Rs. 228,085 had been overpaid to the contractor as Rs. 52,567 for the work not completed, Rs.165,757 for work not completed with proper standards and Rs.9,761 for not using the due rates.</p> | <p>No payment had been made for the activities not done in the work and the works had been performed to the proper standards and the due rates had been used.</p> | <p>The payments should be made as per specified rates and the work completed.</p> |
| <p>(e) An amount of Rs. 1,992,735 had been incurred for the development of the access road to the crematorium belonging to sabha and an amount of Rs. 221,719 had been overpaid to the contractor owing to non-usage of the specified rates for the period. Moreover, while the contracted work had not been completed, the payments had been made considering the all work had been completed.</p> | <p>In accordance with the prices prevailed in the preparation of the estimate, the estimate had been prepared and the money which had been overpaid to the society will be charged from the retention money.</p> | <p>The payments should be made as per the specified rates and the work performed.</p> |

3.6 Human Resource Management

Audit Observation	Comments of the sabha	Recommendation
The duties had been assigned to 09 employees in the primary level who work in Akurassa Pradeshiya Sabha without assigning duties specified for the post and an amount of Rs. 4,175,841 had been incurred from sabha fund in the year under review for that.	Since there were no adequate employees, the duties had been assigned in this manner.	It should be assigned the duties related to the post.