

## **Ambanganga korela Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Ambanganga korela Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, and other explanatory information including a summary of significant accounting policies 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 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 financial statements give a true and fair view of the financial position of the Ambanganga korela Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices

#### **1.2 Basis for Qualified opinion**

I expressed qualified opinion 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 scepticism 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 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 presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018

## 1.6 Audit Observations on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Due to the Rs.4,990,000 payable for the Raithalawa to Imbulgolla agricultural road development project being recorded as Rs.499,000 under creditors, the creditors had under-accounted for Rs.4,491,000.	It will be corrected in the final account of the year 2024.	It should be correctly accounted for.
(b) A difference of Rs.122,072 was observed on comparison of 2 income balances shown in the financial statements prepared as at the end of the year under review and balance of 10 units as per store ledger, with the source documents	-Do-	-Do-

### 1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of the fixed assets register, files and liability documents related to 3 asset subjects of Rs.3,854,123 and 13 liability subjects of Rs.516,002 shown in the financial statements of the year under review, it was not possible to verify satisfactorily during the audit.	The necessary arrangements are made to identify the correct documents related to the account balances.	Documents and files should be maintained to verify each balance.

### 1.7 Non- Compliances

#### Non-compliance with Laws, Rules, Regulations and Management Decisions etc

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

	Reference to Laws, Rules Regulations etc	Non-compliance	Comments of the Sabha	Recommendation
(a)	The Pradeshiya Sabhas Act No. 15 of 1987	Although a list of the roads and narrow avenues maintained by the Sabha has been published in the gazette, the work has not been done formally by preparing the survey plan and pointing out the boundaries and 9 approved roads had not been gazetted. Also the road inventory had not been updated.	That the identified roads have been forwarded by the Divisional Secretary to the Matale Surveyor's Office to carry out the survey work.	It should act according to the provisions of the Act.
(ii)	Section 127	The boundaries of 14 cemeteries used by the Sabha had not been marked, taken over and documented.	That preliminary work has been started to request measurement orders	It should act according to the provisions of the Act.
(b)	1988 Pradeshiya sabha (Finance and Administration) Rules			

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|------|---------|--|---|---------------------------------------|
| (i)  | Rule 59 | A survey was not conducted and a list was not prepared for the year under review with regard to the institutions that should be obtained license in the area of authority. | The arrangements are being made to prepare a list including the information mentioned in Rule 60. | It should act according to the rules. |
| (ii) | Rule 61 | A document on industry/trade business tax, which is to be prepared as per PS 26, was not prepared.   | A document will be prepared in future as per P.S.26.  | It should act according to the rules. |

## 2. Financial Review

### 2.1 Financial Result

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.244,365 as compared with the excess of revenue over recurrent expenditure amounted to Rs.150,398 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 Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

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.
(i) Rates and Taxes	182,500	7,977	5,092	11,591	147,500	7,914	7,139	8,706
(ii) Rent	464,400	271,260	241,970	59,225	357,400	245,320	255,529	29,935
(iii) License Fees	250,000	297,000	297,000	-	245,100	293,900	293,900	-
(iv) Other revenue	1,400,000	2,427,155	2,270,244	965,594	1,400,000	1,626,705	1,502,976	808,683
Total	----- 2,296,900 =====	----- 3,003,392 =====	----- 2,814,306 =====	----- 1,036,410 =====	----- 2,150,000 =====	----- 2,173,839 =====	----- 2,059,544 =====	----- 847,324 =====

### 3. Operational Review

#### 3.1 Performance in Revenue Collection

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
<p>According to the letter of the Medical Officer of Health No. CPC/RDHS/MT/MOH/AMB/FS/01/20 23 dated January 11 of the year under review, 8 existing water schemes within the area of sabha provide drinking water without treatment and it was informed that it has been observed that the people of the area suffer from many diseases due to the use of unsafe water, but the attention of the sabha was not drawn to this.</p>	<p>Currently no chlorination is being carried out and the necessary measures to undergo the chlorination process of the supplied water have already been initiated.</p>	<p>The Sabha should focus on public health.</p>

#### 3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
<p>(a) At the end of the year under review, the total of 4 accounts receivable balances was Rs.4,702,059, the balance over 1 year and less than 5 years of Rs.485,749 and the balance over 5 years of Rs.2,914,879 had not been recovered.</p>	<p>The necessary arrangements will be made to recover the project and various debtor balances.</p>	<p>Arrangements should be made to recover the receivable balances.</p>
<p>(b) The total of 2 accounts payable balances at the end of the year under review was Rs.2,976,872, of which the outstanding balance between 1 and 5 years of Rs.522,004 and the balance over 5 years of Rs.1,420,168 had not been settled.</p>	<p>The amount will be paid in future.</p>	<p>Arrangements should be made to settle the payable balances.</p>
<p>(c) Out of the 104 building applications received in the last 4 years, development permits have been issued for 30 buildings, out of which Conformity certificates have been</p>	<p>That the Technical Officer has been notified to conduct investigations to issue certificates of Conformity</p>	<p>A field inspection should be conducted and arrangements should be made to</p>

issued for only 2 buildings. During the period from 2020 to the year under review, 68 unapproved applications were not followed up and necessary actions were not taken.

issue Conformity certificates.

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
4 vehicles, machinery and equipment worth Rs.7,001,102 belonging to the Sabha have been remained idle and underutilized for a period of 3½ to 16 years and a hand tractor and a water bowser trailer have been out of service for a long period of 8 to 18 years, but It was observed that there was no appropriate action has been taken.	The dump truck and the generator are expected to be exchanged with another institution or provided on a rental basis, and that the necessary arrangements are being made to dispose of the vehicles that cannot be repaired.	It should be repaired and used or disposed of.

### 3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 70 lands worth Rs.533,750 and 03 vehicles worth Rs.1,784,050 used by the Sabha had not been taken over.	The necessary arrangements are being made to take over.	Actions should be taken to take over the ownership.

### 3.5 Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
Even, the selected tenderers in the Paragahamada shop construction project at a cost of Rs.3,128,891, had not submitted the prices for the preliminary costs but had included and recommended, In the final bill, Rs.20,438 had been recommended and paid for the basic expenses, and Rs.51,360 had been paid more for 128 kg of wire than what was included in the approved design. And also, Rs.18,107 was over paid for 0.728 m <sup>3</sup> of concrete for Tie Beam and Main Beam outside the approved engineering plan.	The wire has been laid on the recommendations of the local government engineer, and an answer will be given soon after the building is re-inspected and surveyed.	Payment should be made after verifying whether the construction has been done as per the estimate.

### 3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
As on December 31 of the year under review, there were 10 vacancies and one surplus in 07 posts as compared to the actual number of employees with the approved number of employees of the Sabha.	It is very difficult to maintain institutional affairs.	Arrangements should be made to maintain approved staff.