

Ambalangoda Pradeshiya Sabha - 2024

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 2024 comprising the Statement of financial position as at 31 December 2024, 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 sub section 10(1) 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 2024, 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

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 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

National Audit Act, No. 19 of 2018 include 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 Council	Recommendation
(a) In the year under review, Rs. 1,325,882, which was the debtor balance of Capital Industries due to the Council, was written off from the accumulated fund without approval, so the debtor value was understated by that amount.	That will be corrected by journal entries.	The value of industry debt should be properly accounted
(b) The amount of Rs. 1,774,541 due to the Council from the Southern Province, Local Government Department for projects from the year 2023 had not been included in the financial statements as of	That will be corrected by journal entries.	Should be accounted properly.

December 31 of the year under review.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs.132.40 million between the balances related to 04 accounting subjects included in the financial statements and the balances shown in their related utility documents.	That will be corrected in the future.	Action should be taken to rectify the accounts after comparing differences.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of time analysis and schedules, it was not possible to satisfactorily check 03 accounting subjects totaling Rs.2.19 million.	That the information is presented and that a specific document cannot be found in the office to provide time analysis and schedules.	Time analysis and schedules should be presented.

1.7 Non-compliances

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

The following are observations of non-compliance with laws, rules, regulations and management decisions.

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comments of the Council	Recommendation
Circular No. 2010/01 dated December 27, 2010 of the Southern Province, Local Government Commissioner Section 5.	In the case of leasing of shops, each agreement should be updated once in 03 years and the monthly rent in respect of each shop should be assessed once in 05 years, but in relation to	In the future, the agreement will be signed according to the new assessment fees.	The rent assessment must be updated every 5 years and the lease agreement every 03 years.

80 shops owned by the council, the referred circular provisions were not followed

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 2024 amounted to Rs. 40,875,260 as against with the excess of Revenue over recurrent expenditure amounting to Rs. 34,833,092 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, the following is the information about the estimated income, billed income, collected income and arrears related to the year under review and the previous year.

Source of Revenue	2024				2023			
	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	0.00	0.00	9,830	260,171	1,502,500	1,538,171	1,527,401	270,001
Rent	11,833,010	11,455,600	10,147,209	5,878,934	6,631,360	6,349,958	2,659,260	4,570,543
License Fees	1,200,000	1,453,450	1,477,600	69,050	201,000	179,207	105,807	93,200
Other revenue	65,000,000	387,799	1,840,940	1,144,855	15,384,000	13,982,055	13,192,465	2,496,248
Total	78,033,010	13,296,849	13,475,579	7,353,010	23,718,860	22,049,391	17,484,933	7,429,992

2.2.2 Performance in Revenue Collection

The following are the observations regarding the performance in revenue collection of the sabha.

Audit Observation	Comments of the Council	Recommendation
(a) According to Sections 05 and 06 of Southern Province, Local Government Commissioner's Circular No. 2010/01 dated December 27, 2010, every shop lease agreement must be updated once in 03 years, and the lease amount must be revised once in 05 years, but for 16 shop rooms in the Mahawatta mall owned by the council, such agreement update and lease rent No revisions were made and last assessment year was also not submitted. And by the date of audit, the council was losing a lot of income due to the collection of rent in the amount of Rs.100 and Rs.80 from these shops.	That repairs are being carried out and that rent will be charged as per the new assessment rates in future	The shop lease agreement should be updated once in 03 years and the rent should be assessed once in 05 years.

3. Operational Review

3.1 Identified losses

Audit Observation	Comments of the Council	Recommendation
(a) According to Section 1.2.1(a) of the Government Procurement Guidelines of 2006, when selecting a supplier, the supplier who has responded substantially should be selected, due to failure to do so when purchasing water meters worth Rs. 1,720,000, an excess of Rs. 451,500 had to be paid.	The relevant institution was selected based on the fact that water meters had been purchased from that institution previously and the availability of spare parts.	Purchase should be made as per procurement guidelines and loss incurred should be recovered.
(b) Due to non-payment of the assessed compensation of Rs.880,000 when acquiring the land plot in Batapola Mahawatta Benwalakanda, the Sri Lanka Methodist Sabha had filed a case against the Ambalangoda Pradeshiya Sabha, and as per the verdict, the government had to pay Rs. 1,875,017 in interest and late fees	That payment has been made according to the judgments of the Court of Appeal and the Supreme Court.	Officers must act with care, and if any loss has been caused to the council due to negligence, it should be recovered from

at the rate of 07 percent per annum from the date the land plot was acquired by the government, and Rs. 345,000 in attorney's fees.

those responsible.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) For hardware and software maintenance of fingerprint machine for one year Rs. 12,800 was contracted by the council with a private company, but the existing error in recording the arrival and departure times of the machine was not corrected until the date of audit, February 10, 2025.	Requests have been made to the company from which the fingerprint machine was purchased to correct the error.	Error corrections must be made before monthly maintenance payments are made.
(b) As of December 31, 2024, the sabha owned 47 lands and buildings, but did not have title deeds for 34 of them.	That will be corrected in the future.	Arrangements should be made to obtain title deeds for the lands and buildings owned by the sabha.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) When allocating plots of land to the Sabha for public purposes, 18 plots of land for which the Sabha had given written consent by the land auction agencies had not been taken over by the Sabha through deeds.	That will be corrected in the future.	Plots of land should be acquired through deeds and the value should be accounted.
(b) A fixed fee of Rs.1,000 was charged for the water supply of 128 customers who were provided water by the water projects implemented by the Ambalangoda local council without installing water meters.	Action will be taken in the future to install the missing water meters.	Water meters should be installed for all consumer units.
(c) The Big City water project, which was started in 2021, is distributing water to 22	Action will be taken in the future to	Water meters should be installed

customers, but until December 31, 2024, no water meters have been installed and charged to any customer belonging to this project.	install the water meters.	immediately and water charges should be collected.
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3.4 Transactions of Contentious Nature

Audit Observation	Comments of the Council	Recommendation
Payments were made from the council funds in the year under review for expenses of Rs. 289,434 that were stated to have been incurred by council members in the year 2022 for a program that had not been approved by the Pradeshiya Sabha.	Payments were made based on the recommendations of the Finance Committee.	The expenses incurred by the local council must be legal and any expenses that are not legal must be recovered.