Ambalanthota Pradeshiya Sabha – 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ambalanthota Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the 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 the provisions with subsection 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 financial statements give a true and fair view of the financial position of the Ambalanthota 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 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 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 Sabha	Recommendation
(a)	Stamp duty revenue amounting to Rs.3.43 million, confirmed by the Hambantota Land Registrar's Office as receivable to the Sabha for the years 2022, 2023, and 2024, and had not been accounted for.	It has been stated that the Chief Secretary has instructed that the amount mentioned by the Provincial Revenue Department be included as receivable.	Stamp duty income confirmed by the Land Registrar's Office should be properly accounted for.
(b)	According to the 2024 fixed asset verification, the values of 80 lands and 3 buildings owned by the Sabha had not been assessed and accounted for.	It has been stated that action will be taken to have them valued by the Valuation Department.	The values of lands and buildings owned by the Sabha should be assessed within a specified timeframe and properly accounted for.
(c)	During the year under review, recurrent expenditure totaling Rs.80,987 had been capitalized.	It has been stated that corrections will be made in the year 2025.	Expenditure of a recurrent nature should not be capitalized.
(d)	For the year under review, creditors had not been recognized for six payable expenditure items totalling Rs.77,933.	It has been stated that corrections will be made in the year 2025.	As at 31 December, creditors relating to expenditures should be identified and properly accounted for.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Sabha	Recommendation
At the end of the reviewed year, a difference of Rs.377,977 was observed between the balances of eight accounting items shown in the financial statements and the balances shown in the related source documents/sub-ledgers.	It has been stated that action will be taken to identify the causes of these differences and correct the balances accordingly.	The discrepancies in the relevant balances should be compared and the accounts properly corrected.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission or unavailability of sub-documents, review reports, and balance confirmations, nine accounting items totalling Rs.24.64 million could not be satisfactorily verified during the audit.	It has been stated that detailed sub-documents are not available, some balances have existed for a long period without being identifiable, and certain balances will be written off against sabha revenue.	Evidence supporting and confirming the account balances shown in the financial statements should be submitted.

1.7 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions are shown under this heading.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Section 20 of the Rating and Assessment Ordinance No. 30 of 1946	Although assessable property should be assessed and collected and assessed tax once every 05 years, by not following this procedure and collecting property taxes in the reviewed year based on assessments done in 2011, the assessment period was not timely implemented for a period of 08 years.	It has been stated that action will be taken to levy rates from the year 2025 onward, based on the assessment report prepared in the year 2023.	In accordance with the provisions of the Property assessed Tax Act, actions must be taken to assess in a timely manner.

(b)	Treasury Secretary's Asset Management Circular No. 01/2018 dated 19 March 2018	During the year under review, no action had been taken either to repair and utilize or to dispose of four vehicles belonging to the sabha that were not in operational condition.	It has been stated that steps will be taken to obtain recommendations on whether repairing these vehicles would be worthwhile or if they should be disposed of.	Action should be taken in accordance with the provisions of the relevant circular regarding vehicles that are not in operational condition.

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 2024 amounted to Rs.24.58 million as corresponding with the excess of revenue over recurrent expenditure amounted to Rs.4.44 million 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, Information 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.

	2024				**2023**			
Source of Revenue	**Estimated Revenue (Rs)**	**Revenue billed (Rs)**	**Revenue Collected (Rs)**	**Arrears as at 31 December (Rs)**	**Estimated Revenue (Rs)**	**Revenue billed (Rs)**	**Revenue Collected (Rs)**	**Arrears as at 31 December (Rs)**
Rate and taxes	5,550,000	6,476,070	5,975,903	3,428,403	5,310,000	5,940,312	6,627,668	3,170,102
Rent	15,310,600	16,967,348	17,023,279	1,753,173	15,432,000	12,575,167	16,164,732	5,159,267
License fees	3,342,000	4,570,199	3,689,283	1,472,540	2,647,000	3,685,863	3,978,259	467,850
Other income	13,217,000	14,248,409	13,321,467	1,539,792	12,896,000	14,561,420	14,503,543	607,790
Total	**37,419,600**	**42,262,026**	**40,009,932**	**8,193,908**	**36,285,000**	**36,762,762**	**41,274,202**	**9,405,009**

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
As at January 01 of the year under review, the total arrears of revenue amounted to Rs.9.41 million, while the billings for the year were Rs.42.26 million. Accordingly, the total revenue that should have been collected during the year was Rs.51.67 million; however, only Rs.40.01 million had been collected, resulting in a revenue collection progress rate of 77 percent.	It has been stated that programs to promote the collection of arrears of revenue are being implemented.	The progress of arrears revenue collection should be further improved.

2.2.3 Assessments and taxes

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The arrears of assessments rates income relating to 3545 assessable units within the sabha area amounted to Rs.3.03 million. However, those arrears had not been recovered in accordance with the provisions of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987.	It has been stated that a sum of Rs.365,731 has been recovered and that action will be taken to collect the remaining arrears.	Arrears of revenue should be recovered promptly in accordance with the provisions of Section 158(1) of the Act.
(b)	Business tax amounting to Rs.201,000 due from 84 business units had not been recovered.	It has been stated that the arrears documents have been handed over to the Revenue Inspector for further action.	The arrears of revenue should be recovered promptly.

2.2.4 Rent

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Shop rent amounting to Rs.514,015 due from 64 shops and 14 stalls owned by the sabha, had not been recovered in accordance with the provisions of Section 159(1) of the Pradeshiya Sabha Act.	It has been stated that Rs.347,685 has been recovered and that action will be taken to collect the remaining arrears.	Arrears of revenue should be recovered promptly in accordance with the provisions of Section 159(1) of the Act.

(b)	An amount of Rs.172,170 due to the sabha for the hire of sabha vehicles for the period from 2016 to 2022, had not been recovered even during the year under review.	It has been stated that the relevant parties liable for payment have been informed in writing.	The arrears of revenue should be recovered promptly.
(c)	A sum of Rs.131,500 due in respect of 25 handcarts belonging to the sabha, which had been in arrears since 2022, had not been recovered.	It has been stated that Rs.31,500 has been recovered and that action will be taken to assign the remaining handcarts in arrears.	The arrears of revenue should be recovered promptly.

2.2.5 Advertising boards fees

Audit Observation	Comments of the Sabha	Recommendation
As at December 31 of the year under review, a sum of Rs.1.41 million was due to the sabha from 151 advertising boards displayed within the sabha area. Of this, Rs.106,000 related to the previous year. However, action had not been taken to recover the arrears of advertising board charges in accordance with the provisions of Section 126(XXX) of the Pradeshiya Sabha Act No. 15 of 1987.	Legal action has been instituted for the recovery of Rs.76,000 that remained uncollected in the year 2023. An amount of Rs.429,230 is due to be collected in the year 2024, and the arrears reports have been handed over to the Revenue Inspector.	Arrears of revenue should be recovered promptly in accordance with the provisions of Section 126(XXX) of the Act.

2.2.6 Other Revenue

Audit Observation	Comments of the Sabha	Recommendation
Court fines and stamp fees amounting to Rs.9.80 million and Rs.36.54 million respectively were receivable from the Chief Secretary of the Provincial council and other relevant authorities. .	It has been stated that arrears of stamp fees amounting to Rs.13.92 million and arrears of court fines amounting to Rs.6.17 million have been recovered.	Action should be taken to collect the remaining arrears of revenue promptly.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	In the year 1986, a sum of Rs.150,500 had been deposited in a government bank in the name of the Pradeshiya Sabha for the acquisition of land and related expenses for the construction of the Ambalantota Town Hall. As at December 31 of the year under review, the balance of that account stood at Rs.2.48 million. Although nearly 20 years had passed since the money was deposited, no action had been taken either to acquire the relevant land or to transfer the balance of the deposit account to the Pradeshiya Sabha.	It has been stated that a sum of Rs.49.48 million is payable to the relevant parties in order to transfer the land to the sabha, and that the sabha does not have the financial capacity to bear such a large expenditure.	Action should be taken either to acquire the relevant land or to transfer the balance of the deposit account to the Pradeshiya Sabha.
(b)	As at 31, December 2023, action had not been taken even by 31, December 2024, regarding two boat of Agula and a bower mentioned in the board of physical verification report that had not been submitted to the physical verification committee.	It has been stated that the documents relating to the two boat padlocks could not be found.	Action should be taken regarding the deficiencies identified through the physical verification.
(c)	According to a sample inspection carried out, by 31, December 2024, the sabha had failed to recover fees amounting to Rs.290,472 for the excess construction carried out beyond the approved building plans relating to two plans approved in 2022.	It has been stated that reminder letters have been sent.	The sabha should recover the due fees and approve the revised building plans accordingly.

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Sabha	Recommendation
An individual who had been recruited on 6, October 2015, to the post of pre-school teacher under category MN-1 could not be confirmed in the position after the completion of the probationary period, as the required educational qualifications had not been verified	Although letters had been sent to the Commissioner General of Examinations since 2016 requesting verification of the examination results, a reply was received at 23, June	Formal disciplinary action should be taken against those who submitted fake certificates and against those responsible for failing to verify them.

during that period. For a period exceeding four years, no notification had been made to higher authorities regarding this matter. It was revealed that a person who had not possessed the required qualifications for appointment as a pre-school teacher had been recruited by submitting faked educational certificates, and a sum of Rs.3.37 million had been paid from the sabha funds without extending the probationary period.	2022, stating that discrepancies existed in the results. Accordingly, a letter was sent to the Commissioner of Local Government, Hambantota, at 10, March 2023, requesting instructions, and the employee concerned was suspended from service with effect from 6, July 2023.

3.3 Human Resources Management

	Audit Observation	Comments of the Sabha	Audit Observation
(a)	At the end of the year under review, action had not been taken to regularize 21 excess positions relating to 14 posts in the sabha.	It has been stated that steps are being taken to obtain approval for the excess positions.	A review of the sabha's staff requirements should be carried out.
(b)	Loan balances totaling Rs.347,436, recoverable from seven employees who had resigned or whose services had been terminated, had not been recovered.	It has been stated that Rs.27,000 has been recovered and that action will be taken to collect the remaining loan balances in instalments from the guarantors.	Action should be taken to recover the outstanding loan balances.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Sabha	Audit Observation
Although it had been planned under the 2024 Action Plan, with the objective of developing infrastructure, promoting integrated and sustainable industrialization, and encouraging innovation, to develop 33 roads under the target of road development and rehabilitation, only 6 roads had been developed as at December 31 of the year under review.	It has been stated that the available revenue was insufficient for the development of the remaining roads.	Action should be taken to plan and implement development proposals in line with the set targets.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Audit Observation
An adverse variance of Rs.11.36 million was observed under the vote of expenditure of income grants, representing a variance of 13%. An adverse variance of Rs 9.7 million was also observed under the expenditure item of equipment, land improvement, and building expenses, representing a variance of 249%.	It has been stated that action will be taken to avoid such weaknesses.	Action should be taken to minimize variances, strengthen planning procedures, and improve the efficiency of revenue collection.