

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Angunukolapelessa 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 of 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 read in conjunction with in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. 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 Angunukolapelessa 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, 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 Policies

Audit Observation	Comments of the Sabha	Recommendation
Although it has been stated under Accounting Policy No. 02 that the financial statements are prepared on an accrual basis, court fines and stamp duty income have been accounted for on a cash basis.	Action will be taken to record them correctly in the future.	Court fines and stamp duty income should be accounted for on an accrual basis.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Assets purchased and constructed with a total value of Rs.90,802 had not been capitalized.	It will be corrected during the year 2025.	Purchased and constructed non-current assets should be properly capitalized.
(b) According to the library accession register, the cost of library books owned by the sabha amounted to Rs.3,052,194. However, since only Rs.2,962,582 had been accounted for in the financial statements, a difference of Rs.89,612 was observed between the two balances.	Action will be taken to maintain an accurate book balance.	The difference between the cost shown in the financial statements and the cost according to the accession register should be identified and corrected in the accounts during the year 2025.

- | | | | |
|-----|--|--|---|
| (c) | In the year under review, stamp duty income and court fine income had been understated by Rs.341,125 and Rs.79,633 respectively. | According to the documents obtained for the audit year, the income had been identified. | The understated court fine and stamp duty income should be properly accounted for in the year 2025. |
| (d) | Creditors amounting to Rs.26,962 for various expenses and Rs.120,000 for audit fees had not been recognized. | It was stated that necessary action will be taken to correctly recognize creditors when preparing accounts in the future. | The expenses for which creditor provisions were not made should be properly accounted for. |
| (e) | Salary arrears amounting to Rs.475,935, paid for previous years, had been accounted for as expenses of the year under review. | It was stated that action will be taken to correctly record the expenses pertaining to the relevant year in future accounting. | Expenses relating to previous years should be identified and accounted for accordingly. |

1.6.3 Unreconciled Control Accounts

Audit Observation	Comments of the Sabha	Recommendation
A difference of Rs.8.88 million was observed between the values relating to 07 accounting items shown in the financial statements for the year under review and the values appearing in the supporting schedules submitted with the financial statements.	It was stated that the schedules had not been updated and that the difference would be corrected in the future.	The schedules should be updated, and the differences in account balances should be reconciled and corrected.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
It was not possible to satisfactorily verify three accounting items totalling Rs.563,494 due to the non-submission of detailed schedules, age analyses, and balance confirmations.	It was stated that these balances have existed for several years, that there are no supporting documents for confirmation, and that since these values are not reflected in the deposit records, necessary corrections will be made in the year 2025.	Detailed schedules, age analyses, and balance confirmations substantiating 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.

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation	
(a)	Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987	The Sabha had not yet taken action to assessments on four domains that were declared as developed areas in 2013.	It was stated that action will be taken to commence the collection of assessments from the third quarter of the year 2025	Action should be taken to assessments on the four domains that have been declared as developed areas.
(b)	The amendment made to the National Environmental Act No. 47 of 1980 by the Extraordinary Gazette No. 2264/18 dated January 27, 2022	Twelve business units that were required to obtain Environmental Protection Licenses had not obtained them. As a result, an income of Rs.54,000 that could have been earned by the Sabha during the year under review was lost.	It was stated that necessary action will be taken to issue the licenses.	Action should be taken to issue Environmental Protection Licenses to the 12 business establishments as required under the provisions of the National Environmental Act.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent revenue over expenditure of the Sabha for the year of under review amounted to Rs.9.69 million as corresponding with the excess of recurrent revenue over expenditure amounted to Rs.1.21 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

Source of Revenue	2024				2023			
	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)
Assessments and taxes	1,455,760	1,712,135	1,726,095	(7,200)	852,000	1,366,805	1,391,075	6,760
Rent	17,605,900	15,104,270	*15,040,095	360,197	20,846,320	13,104,557	13,039,449	296,022
License fees	3,279,520	3,561,639	3,587,639	1,000	3,258,020	3,605,561	3,705,442	26,000
Other income	4,688,300	6,680,146	6,751,976	-	23,503,170	4,564,766	8,610,376	71,830
Total	27,029,480	27,058,190	27,105,805	353,997	48,459,510	22,641,689	26,746,342	400,612

* A rent amount of Rs.26,222 had been written off with the approval of the Governor.

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	An amount of Rs.197,198 in arrears of rent from the fish market owned by the Pradeshiya Sabha, which had been leased through tender, had not been recovered in accordance with Section 159(1) of the Pradeshiya Sabha Act.	It was stated that legal action has been initiated.	Arrears of income should be recovered promptly in accordance with Section 159(1) of the Act.
(b)	As at 31 December of the year under review, fees amounting to Rs.336,570, due for 78 advertising boards had not been recovered.	It was stated that action will be taken to recover the arrears along with the fees for the year 2025.	Arrears of income should be recovered promptly.

- (c) Court fines and stamp duty receivable from the Chief Secretary of the Provincial Council amounted to Rs.4.12 million and Rs.7.42 million respectively. It was stated that, by February 2025, court fines amounting to Rs.2.68 million and stamp duty amounting to Rs.4.47 million had been recovered, and that action would be taken to recover the remaining balance as well. A proper coordination and mechanism should be established among the Chief Secretary, the Governor, and the Land Registry Office.

3. Operational Review

3.1 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
Due to the failure to properly remit contribution payments to the Employees' Provident Fund (EPF), a surcharge of Rs.12,691 had to be paid during the year under review.	It was stated that action will be taken in the future to ensure that payments due to government institutions are made on time without any delay.	The loss of Rs.12,691 incurred by the Sabha should be recovered from the responsible parties.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The Sabha had failed to recover a total of Rs.1.36 million as covering approval fees, Process costing fees, and compliance certificate fees related to four building plans approved by the Sabha. Furthermore, three buildings had been completed and business activities were being carried out without obtaining compliance certificates, and the Sabha had not taken any legal action in this regard.	It was stated that Rs.5,000 of the fees had been recovered and that letters would be sent to the relevant parties to collect the remaining due amounts.	The Sabha should properly recover the fees amounting to Rs.1.36 million and take legal action regarding the constructions carried out without obtaining compliance certificates.
(b) Four plots of land belonging to the Sabha, totalling 31 acres and 3 roods, had been used illegally by certain individuals and businesses; however, the Sabha had not taken any follow-up action regarding this matter.	It was stated that these constructions were temporary and that action would be taken in the future to remove those structures and temporary cultivations.	The unauthorized occupants of the four Sabha-owned lands should be evicted, the Sabha's property should be safeguarded, and the lands should be utilized for productive purposes.

3.3 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The Sabha had not obtained legal ownership for 111 plots of land, totalling 136 acres, 1 rood, and 16 perches, which are currently being used by the Sabha.	It was stated that necessary action will be taken to transfer the ownership of the lands.	Prompt action should be taken to legally transfer ownership of the 111 lands being used by the Sabha.
(b) Two vehicles and two tractor bowsers, for which the dates of receipt by the Sabha were not clearly recorded, had been withdrawn from use. However, no action had been taken either to repair and reuse them, dispose of them, or transfer legal ownership to the Sabha.	It was stated that letters had been sent regarding the transfer of ownership for the untransformed vehicles.	Legal ownership of the two tractors and the two tractor bowsers should be confirmed, and action should be taken either to repair and utilize them or to dispose of them appropriately.

3.4 Delays in Project Activities or Capital work

Audit Observation	Comments of the Sabha	Recommendation
According to the Annual Action Plan prepared by the Sabha for the year 2024, out of 49 development proposals estimated at Rs.69.94 million, 40 proposals valued at Rs.63.42 million had not been implemented.	It was stated that the proposals could not be implemented due to the non-receipt of necessary provisions and the low level of income.	Development proposals for which allocations have been made in the budget should be implemented; otherwise, the plans prepared should be appropriately revised.

3.5 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
Under the Southern Province Development Plan for the year 2024, the Sabha had overpaid Rs.83,816 as transport charges for the supply of ABC material under Work Item No. 01 — the road renovation near the fish market in the Agunukolapelessa town area.	It was stated that the overpaid amount had been reported to the Department of Local Government, which allocated the funds, and that it would be deducted from the retention money of the relevant contractor.	The correct rate should be included in the estimates, and payments should be made according to those rates. The excess amount paid should be recovered from the responsible parties.

3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) By the end of the year under review, the Sabha had not regularized the services of 13 excess staff members.	It was stated that the excess officers have been assigned to work productively and that action will be taken to regularize their appointments.	A review should be carried out regarding the Sabha's actual staff requirements
(b) A loan balance of Rs.252,083 due from a laborer who passed away in July 2023 had not been recovered.	It was stated that action would be taken to recover the loan balance immediately upon receiving the death gratuity payment.	Action should be taken to recover the outstanding loan balance without delay.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
Under the program for Industrial, Innovation, and Infrastructure Development, it had been planned during the year under review to construct 20 roads and to renovate 5 bridges and culverts. However, 19 roads and one culvert had not been constructed during the year.	It was stated that although allocations had been requested for these projects, they could not be implemented due to the non-receipt of the required provisions.	Action should be taken to properly plan and implement the targeted development projects.

4.2 Environmental Observations

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the Annual Solid Waste Management Plan, it had been planned to establish and maintain a model farm using compost fertilizer starting from February 2024. However, as of the date of audit, the project had not been implemented.	It was stated that due to insufficient funds and a shortage of staff, the farm could not be established, and instead, action had been taken to start a low-cost poultry farm.	When planning activities, attention should be paid to the availability of existing resources, funds, and staff.

- (b) A proper procedure had not been established for the systematic disposal of electronic waste dumped at various locations within the solid waste management centre. It was stated that action would be taken to hand over the electronic waste to the Central Environmental Authority for recycling. A systematic procedure should be established for the disposal of solid waste.