

Akurana Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akurana Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, 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 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 Akurana Pradeshiya Sabha as at 31 December 2024, and of its financial performance and for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 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)	As of the end of the year under review, the pre-school land worth Rs. 200,000 and the land where the economic centre is located worth Rs. 500,000 had not been capitalized.	It will be accounted for correctly in the future.	Accounts should be prepared correctly.
(b)	During the year under review, payable of Rs. 109,900 for obtaining spare parts for a tractor had been recorded twice, resulting in an overstatement of Rs. 109,900.	It will be corrected in the future.	Accounts should be prepared correctly.
(c)	05 development projects for which no agreement had been entered upon as at the end of the year under review, an estimated total of Rs. 19,152,703 were accounted for under creditors.	It will be implemented after obtaining estimates.	Project values should be recorded as creditor after entering into agreement.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs. 476,868 when comparing the balances of 02 account subjects shown in the financial statements with the balances shown in the relevant schedules.	It will be corrected in the future.	Account balances should be corrected with the balances in the relevant schedules.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the failure to confirm the existence of 03 asset balances totalling Rs. 2,556,398 shown in the financial statements, they could not be satisfactorily verified during the audit.	It will be presented in the future.	The existence of assets should be verified and accounted for.

1.7 Non- Compliances

Non-compliance with Laws, Rules Regulations and Management Decisions

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

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 571(3)	Deposits worth Rs. 1,457,773 related to 92 cases from 2014 to June 2024 in mixed deposits and Development projects retention had not been settled.	It will be settled in the future.	Lapsed deposits should be settled.

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.62,504,916 as compared with excess of revenue over recurrent expenditure amounted to Rs. 34,828,187 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.

2024					2023			
Source of Revenue	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	7,624,500	11,259,027	6,048,138	9,049,596	7,624,500	7,624,500	7,974,669	3,838,707
(ii) Rent	10,572,639	10,185,068	9,762,024	2,256,139	10,527,239	6,577,177	9,611,145	1,833,095
(iii) License Fees	4,385,000	3,687,320	3,687,320	-	4,295,500	3,200,000	4,466,550	-
(iv) Other revenue	53,200,500	78,386,836	72,807,215	66,495,607	24,357,000	23,999,100	49,327,233	60,915,987
	75,782,639	103,518,251	92,304,697	77,801,342	46,804,239	41,400,777	71,379,597	66,587,789

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Rates and Tax The arrears rates balance as at the end of the year under review was Rs. 9,048,981, out of which Rs. 1,465,880, from 61 assessment units exceeding Rs. 10,000, had not been collected, in accordance with Section 158 of the Pradeshiya Sabha Act, No. 15 of 1987.	Action will be taken to recover it.	Arrears of revenue should be collected promptly.
(b)	Three-wheeler parking fees As a result of not taking steps to collect three-wheeler fees in accordance with the by-laws on parking of taxis in the Local Government (Standard By-Laws) Act, No. 6 of 1952, an arrears of Rs. 1,385,025 existed as at the end of the year under review.	Action will be taken to recover it.	Action should be taken to recover.
(c)	Court fines and Stamp duty The court fines and stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31st December of the year under review were Rs. 400,000 and Rs. 62,923,945, and action had not been taken to recover Rs. 9,872,545 due from 2015 to 2022 which included in the stamp duty balance.	Action will be taken to write off income for which the schedules are not available and to recover income from other years.	The arrears of revenue should be recovered.

3. Operational Review

3.1 Fulfilment of functions assigned by the Act

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
Without using recurrent revenues of previous years for regional development, Rs. 89,685,362 had been invested in fixed deposits.	The money will be transferred when necessary.	Surplus funds should be used for regional development.

3.2 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
During the period 2021 – 2024, the Sabha had incurred legal fees of Rs. 2,072,400 due to failure to take timely action and delay in taking action on 63 unauthorized constructions.	Unauthorized removal results a cost.	Action should be taken regarding unauthorized construction.

3.3 Irregular Transactions

Audit Observation	Comments of the Sabha	Recommendation
Although the Konakalagala and Mawathupola Deniyepitiya Suduhakuruwatta land with the area of 09 acres, 03 roods and 17 perches, in the Sabha area, had been subdivided and sold at auction in 2012, the subdivision plan had not been submitted for the approval of the Sabha. It had been sold in plots and the Sabha had not obtained approval for the plot plan. The 1 percent tax and 10 percent land due to the Sabha from the sale of this land had not been obtained.	Action will be taken to sue and recover	Action should be taken to recover the money due and take over the land plot.

3.4 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The Development Projects debtor balance as at 31st December of the year under review was Rs. 19,044,682, Out of which	No reimbursements have been received from government institutions.	The amount receivables should be recovered.

there was an Development Projects debtor balance of Rs. 1,126,576 relating to the period between 1 and 3 years.

(b)	As of 31st December, of the year under review, the Development Projects creditors' balance was Rs. 87,063,144, which included creditor balances of Rs. 21,059,402 between 1 and 3 years and Rs. 303,624 between 3 and 5 years.	Action will be taken to settle in the future.	The payable balances should be settled.
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3.5 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
Two machines with a combined value of Rs. 28,628,666 and a computer software system worth Rs. 320,000 had been idle or underutilized for a period of between 2 and 10 years.	The excess machine will be given to another institution and other assets will be repaired.	It should be utilized effectively and repaired and utilized.

3.6 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of the land where the Pansalathenne Watta Cemetery is located and the Vilana Udagama Multipurpose Building and Community Hall, the Ellekade Library and Shops, the Akurana Ayurveda and Library, the Akurana Public Market and the Akurana Small Market, which are utilized by the Sabha had not been taken over.	It will be taken over in the future	The ownership of the assets owned by the Sabha should be taken over.

4. Accountability and Good Governance Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
As per the provisions of Section 93 (b) of the Pradeshiya Sabha Act No. 15 of 1987, a Gully service had not been maintained to enable the pits to be cleaned and emptied within the proper time frame for the disposal of sewerage from houses in the area.	That there is no suitable location and the function will be fulfilled by other Sabha.	The public needs assigned by the Act should be fulfilled.