

## **Ambungagakorale Pradeshiya Sabha - 2024**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Ambungagakorale 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ambungagakorale Pradeshiya Sabha as at 31 December 2024, and of its financial performance 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 this 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 Sub-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 to be prepared.

#### **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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 the Pradeshiya Sabha 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 Statement**

### **1.6.1 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a) The total amount of Rs.228,553 of 03 units of furniture and 07 units of machinery and equipment auctioned during the year under review had not been removed from the accounts of the year under review.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.
(b) The total expenditure of Rs.5,016,801 on 05 development projects during the year under review had not been capitalized.	-Do-	-Do-
(c) Due to the fact that the total income received of Rs.1,307,552 on 4 occasions during the year under review was not recorded in the cash account, the cash balance was understated by that amount.	-Do-	-Do-
(d) During the year under review, on 21 occasions, while settling advances totaling Rs.308,915, the cash book was credited instead of being credited to the advance account. As a result, the cash book balance was understated by that amount.	-Do-	-Do-

### **1.6.2 Unreconciled Control Accounts or Records**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Although the cash book balance as at the end of the year under review was Rs.1,872,869, there was a difference of Rs.1,577,101 due to the balance being shown as Rs.295,768 in the financial statements.	It will be corrected through the final account of the year 2025.	The account balance should be compared with the relevant documents and schedules.

### **1.6.3 Documentary Evidences not made available for Audit**

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Due to non-submission of relevant documents, schedules and files for 08 asset subjects totalling Rs.4,187,127 and 13 liability subjects totalling Rs.516,002 shown in the financial statements of the year under review, it was not possible to satisfactorily examine them.	A committee has been appointed and work will be done to settle the balance in the future.	Relevant documents, schedules and files confirming account balances should be submitted.

## 1.7 Non- Compliances

### Non-compliance with Laws, Rules and Regulations

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	<b>Pradeshiya Sabha Act No. 15 of 1987</b>			
	Section 128	The ownership of 85 plots of land used by the Sabha had not been acquired.	Action will be taken to acquire ownership of several lands this year.	The ownership of the lands owned by the Sabha should be taken over.
(b)	<b>Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>			
	F.R. 571 (3)	As at the end of the year under review, 07 lapsed deposit balances of Rs.711,934, relating to the period between 6 and 8 years, had not been settled.	Action will be taken to credit to the income after informing the depositors.	Lapsed deposits must be settled.

## 2. Financial Review

### 2.1 Financial Result

According to the Financial Statements presented excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 1,927,206 as against the excess of revenue over recurrent expenditure amounted to Rs. 244,365 in the preceding year.

### 2.2 Revenue Administration

#### 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	208,000	209,455	203,140	17,906	182,500	265,727	254,136	11,591	
(ii) Rent	612,400	378,645	383,415	54,455	564,400	370,175	310,550	59,225	
(iii) License Fees	296,100	277,118	277,118	-	255,100	197,000	197,000	-	
(iv) Other revenue	5,577,000	5,924,659	5,242,655	3,676,348	8,341,000	5,380,737	2,383,793	2,994,344	
Total	<u>6,693,500</u>	<u>6,789,877</u>	<u>6,106,328</u>	<u>3,748,709</u>	<u>9,343,000</u>	<u>6,213,639</u>	<u>3,145,479</u>	<u>3,065,160</u>	

### 3. Operational Review

#### 3.1 Management inefficiencies

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	The total balance of 02 accounts receivable as at the end of the year under review was Rs.8,181,927. Therein, the balance between 01 to 5 years was Rs.310,595 and the balance above 05 years was Rs.2,914,879.	Necessary Actions will be taken to recover the balances of industries and various debtors.	Receivable balances should be collected.
(b)	The total balance of 02 accounts payable as at the end of the year under review was Rs.2,976,872. Therein, the balance between 01 to 5 years was Rs.372,005 and the balance above 5 years was Rs.1,366,678.	Necessary steps will be taken to settle the balances of Development Projects and various creditors.	Payable balances should be settled.

#### 3.2 Asset Management

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	04 vehicles, a generator and a concrete mixer worth Rs.7,466,102 had been idle or underutilized for between 08 and 20 years.	No comments.	Action should be taken to utilize or dispose it.
(b)	The ownership of 14 cemeteries used by the Sabha, 19 lands with buildings including the office building and the Matihakka Multipurpose Building, 50 public wells and 02 lands with playgrounds had not been taken over.	-Do-	The ownership of properties belongs to Sabha should be taken over.
(c)	The ownership of 03 vehicles worth Rs. 1,500,000 used by the Sabha had not been taken over.	-Do-	The ownership of vehicles belongs to Sabha should be taken over.