

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ambagamuwa 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 Institute as at 31 December 2024, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 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 Principles and for such internal control as management determines 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 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 of the Sabha.

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 judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess 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
- An understanding of internal control relevant to the audit was obtained 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 Pradeshiya Sabha's internal control
- Evaluate the 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
- 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 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 discussions issued by the governing body of the company
- 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 the other legal requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- The financial statements of the Pradeshiya Sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- 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
As at the end of the year under review, 07 deposits totalling Rs. 581,330 had not been accounted for.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of fixed asset registers, documents to verify values and balance confirmations relating to 04 asset balances with the total of Rs. 16,969,365 shown in the financial statements as at the end of the year under review could not be satisfactorily examined during the audit.	Steps will be taken to maintain records in a proper manner.	Relevant fixed asset registries, schedules and files regarding fixed assets should be prepared and submitted.

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 Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Parliament Acts			
Paragraph 83.1 in Part VI of the Planning and Building Regulations, as amended under Section 21 of the Urban Development Authority Act, No. 41 of 1978, published in the Extraordinary Gazette Notification of the Democratic Socialist Republic of Sri Lanka No. 2235/54 dated 08 July 2021, read with Section 08 of that Act.	Certificates of conformity had not been issued for 12 development permits approved and issued during the period from 2018 to 2022.	It had been informed to obtain certificates of conformity	Certificates of conformity must be issued for buildings used for residential purposes.
(b) Pradeshiya Sabha Act No. 15 of 1987			
Section 149	For the purposes of the Tourism Act No. 14 of 1968, no action had been taken to collect a license fee of not less than 01 percent of the annual income for the years 2015 and 2017 from 02 hotels registered with the Sri Lanka Tourism Board since the year of registration.	Necessary action will be taken legally,	Necessary steps should be taken to recover revenue along with arrears.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 571(3)			
	During the period from 2019 to 2024, 77 lapsed deposits of Rs. 4,643,504 had not been settled.	Action will be taken to settle the deposits	Lapsed deposits should be settled.

- (d) **Paragraph 5 of the Local Government Commissioner's Circular No. 2016/3 dated 17th March 2016** Although the stall rent should have been assessed every 5 years, rent was being collected for 5 stalls based on the assessment dated 11th August 2014. The valuation department was informed to assess. Assessment reports should be obtained and agreements should be revised and rent collected.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 37,665,343 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 28,940,598 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	13,833,000	10,805,135	9,954,841	1,884,639	5,589,000	3,797,102	3,790,773	1,034,345	
(ii) Rent	4,050,000	3,769,219	3,900,516	1,690,661	10,373,100	3,164,529	3,452,798	1,821,958	
(iii) License Fees	6,360,500	7,758,394	7,016,055	1,291,429	1,551,000	4,367,618	4,000,948	549,090	
(iv) Other revenue	20,290,000	14,782,127	48,823,983	1,282,052	132,300,620	23,182,500	55,119,761	35,323,908	
	44,533,500	37,114,875	69,695,395	6,148,781	149,813,720	34,511,749	66,364,280	38,729,301	

2.2.2 Performance in Revenue Collection

(a) Rates

Audit Observation	Comments of the Sabha	Recommendation
As at the end of the year under review, there was a arrears balance of Rs.	Further works are being carried out to recover the	The arrears of revenue should be recovered.

1,728,072, out of which Rs. 986,744 had arrears. not been collected from 74 assessment units where the arrears per unit was more than Rs. 5,000, as per Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 and the Pradeshiya Sabha Finance and Administration Rules of 1988.

(b) Rent

Audit Observation	Comments of the Sabha	Recommendation
Out of the outstanding rent balance of Rs.755,314 as on January 01 of the year under review, a further arrears of Rs.429,417 was to be recovered by the end of the year under review. Of this, formal action had not been taken to recover Rs.208,796 from 15 tenants for a period of 5 to 10 years and Rs.243,500 from 2 tenants for a period of 1 to 5 years.	Further actions are being taken to recover arrears	The arrears of revenue should be recovered.

(c) Other Income

Audit Observation	Comments of the Sabha	Recommendation
(i) The arrears of advertisement board revenue of Rs.1,291,000 had not been recovered as at the end of the year under review.	Action will be taken to recover or file a lawsuit.	The arrears of revenue should be recovered.
(ii) As of the end of the year under review, there was a water fee arrears balance of Rs.1,282,052 and out of that arrears, there was a balance of Rs.1,083,882 to be recovered from 215 units exceeding Rs.2,000.	That action will be taken to recover or file a lawsuit.	The arrears of revenue should be recovered.

(d) Court fines and Stamp duty

Audit Observation	Comments of the Sabha	Recommendation
The court fines and stamp duty due from the Chief Secretary of the Provincial Council and other authorities as on 31 st December of the year under review were Rs.1,457,235 and Rs.26,688,430 respectively.	The schedules will be submitted and fees will be collected.	Outstanding amounts 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
(a) Public Health According to the water sample test reports from 04 water sources owned by the council, the water quality was below the standard drinking water standards (SLS 614), and poor quality drinking water had been distributed.	The necessary work will be carried out promptly.	Water should be purified and clean drinking water should be distributed.
(b) Solid waste management Due to the failure to identify a suitable land for establishing a solid waste management center, approximately 900 kilograms of biodegradable waste collected daily had been disposed of at the Riccarton garbage yard maintained by the Maskeliya Pradeshiya Sabha. As a result, attention had not been paid to the management of solid waste.	Steps will be taken in the future to use the land.	Solid waste should be managed properly..
(c) Abandoned tasks During the period 2011-2012, Rs. 02 million was spent on building a shopping complex, but only the foundation was laid and the construction work was stopped. Accordingly, almost 12 years have passed, but the project has not been completed, so the money spent has been wasted.	Construction is planned to begin in 2025.	Projects Should be completed and utilized within the stipulated time.

3.2 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 05 account receivable balances as at the end of the year under review was Rs. 15,559,343. Therein, the	Steps will be taken to recover the arrears of revenue.	The amount of receivables should be collected.

balance relating to the period between 1 to 5 years was Rs. 1,150,053 and the balance relating to more than 5 years was Rs. 5,816,754.

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| (b) | Although, as per clause 06 of the stalls rental agreement, a security deposit of six months' rent need to be deposited before signing the agreement by both parties, a security deposit of Rs. 341,550 had not been obtained for the 13 stalls. | Action will be taken to recover the money. | Security deposits should be collected as per the agreement. |
| (c) | Although the stall rent of 07 stalls owned by the Sabha at the Old Public Market, Norton bridge, was reassessed on 02 nd October 2024 in accordance with paragraph 06 of the Central Local Government Commissioner's Circular No. 2016/3 dated 17 March 2016 and clause 5.2 of the shop rent agreements, the agreements had not been amended. | The new agreement will be immediately submitted for audit. | The agreement should be revised according to the new assessment. |
| (d) | In accordance with the National Environment Act No. 47 of 1980, as amended by Acts No. 56 of 1988 and No. 53 of 2000, and the National Environment (Protection and Quality) Regulations No. 01 of 2008, no action had been taken to issue an Environmental Protection Permit or take necessary action for 08 industries within the Sabha area of authority | The environmental permits will be issued after obtaining the recommendations of the environmental committee. | Action should be taken to implement the recommendations or take legal action. |

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
Four machineries and equipment totalling Rs.7,571,997 remained idle or underutilized for 1 to 5 years and more than 5 years.	It had been sent for repairs	Assets should be repaired and utilized or disposed of.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
Non acquired Assets		
No steps had been taken to acquire the ownership of the lands where 12 cemeteries are located, which are used by the Sabha.	The takeover process is being carried out	Action should be taken to acquire ownership of the assets.

3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
(a) There were 23 vacancies in 14 posts including 02 Revenue Inspector posts, Librarian, Technical Assistant, Health Supervisor, Pre-School Teacher, Heavy Equipment Operator, Ayurvedic Synthesizer, Crematorium Operator and Crematorium Operator Assistant in the approved staff of the Sabha. This was an obstacle to revenue collection and community services in the Pradeshiya Sabha area.	Vacancies have been notified.	Vacancies should be filled and community services must be maintained without interruption.
(b) The outstanding employee loan balances of Rs. 316,800 from 11 transferred, left the service, died and retired officers, had not been collected	Action will be taken to recover the loan	Action should be taken to settle the loan balance.