

Ambagamuwa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ambagamuwa Pradeshiya Sabha for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 and the income and expenditure account, and other explanatory information, including a summary of significant accounting policies, 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 Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in 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 Ambagamuwa Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices for Local Authorities.

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 for Local Authorities, 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 Scope of Audit (Auditor's Responsibility in Auditing 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:

- Appropriate audit procedures 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 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 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

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- (a) The Financial Statements presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018.

1.6 Observations on the preparation of financial statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The balance of the inventory stocks of Rs. 188,601 had not been accounted for and the value of a bale machine had been understated by Rs.60,000 in the accounts.	This matter will be corrected in the preparation of the account for the year 2023.	Accounting process should be properly carried out in the financial statements.

- | | | | |
|-----|--|---|---|
| (b) | The late fees amounting to Rs. 65,950 received during the year under review had not been accounted for and due to accounting for Rs. 15,000 deposited through the receipt No.5152 dated 20 December 2022 as Rs. 150,000, a sum of Rs.135,000 had been overstated. | - Do - | - Do - |
| (c) | The overestimation of court fines amounting to Rs. 2,634,643 which had been accounted for as receivables for the preceding year was not adjusted to the accumulated fund and eliminated. | - Do - | - Do - |
| (d) | The stamp duty that remained receivable as at the end of the year under review had been overstated by Rs. 28,309,671 in the accounts. | The relevant amount will be brought to account in the preparation of financial statement for the year 2023. | Account balances should be corrected. |
| (e) | The advertisement board income of Rs. 160,839 received for the preceding year had been brought to account as an income of the year under review and the billed income of the year under review had been overstated by Rs. .78,739. The advertisement board receivable for the year under review amounting to Rs. 344,100 had not been accounted for. | The relevant amount will be brought to account in the preparation of financial statement for the year 2023. | Account balances should be corrected. |
| (f) | Retention money of Rs. 4,176,046 related to 25 projects that should be accounted for under the general deposit had been accounted for under the capital creditors. | This matter will be corrected in the preparation of account for the year 2023. | capital retention money should be accounted for under the deposits. |

1.6.2 Unauthorized Transactions

Audit Observation	Comment of the Sabha	Recommendation
Although fixed assets totalled Rs. 146,031,044 had been assessed at Rs. 567,957,750 by the Technical Officer and stated in the financial statements, approval of the Sabha had not been obtained for that purpose.	A decision of the Sabha had been made to appoint a board of assessment so as to include several officers together with the Technical Officer, action will be taken to obtain this temporary assessment during this year.	Accounting process should be done with a formal assessment and an approval.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
The Ayurvedic and Inventory amounting to Rs. 884,369 could not be satisfactorily examined due to non-submission of stocks registers.	Action will be taken to correct that error and to include the value of receipt to the account after taking it from the officer in charge of the subject.	Stocks registers should be prepared.

1.7 Non-compliance

1.7.1 Non-compliance with laws, rules, and regulations

The instances of non-compliance with laws, rules and regulations are as follows.

	Reference to laws, rules and regulations	Non-compliance	Comment of the Sabha	Recommendation
(a)	National Environment Act No. 4 of 1980 as amended by Acts No. 53 of 2000 and No. 56 of 1988	Environmental Protection Licences had not been issued to 12 business enterprises for the year under review.	Relevant arrangements are being made.	Action should be taken in accordance with the provisions of the Act.
(b)	Section 20 of the Rating and Valuation Law No. 30 of 1946	Section 140 (1)	Rateable properties had not been valued in 13	Having done the valuation by an - Do - an

years.

alternative measure and discussed the matter of levying rates with the Assistant Commissioner, further action will be taken.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R. 571 (3)

Ten lapsed deposits valued at Rs. 320,120 that continued to exist from the year 2014 had not been disposed of. Action has been taken to send letters to the individuals mentioned in this general deposit register. Action should be taken to settle the deposits.

1.7.2 Non-compliance with tax requirements

Audit Observation

Comment of the Sabha

Recommendation

Action had not been taken to settle Rs. 935,678 as the Nation Building Tax (NBT)

This issue will be settled in the preparation of final account for the year 2023.

Action should be taken to settle the amount.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 21,894,414 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 29,540,126.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Chairman, the particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	5,830,000	3,904,609	3,912,126	1,843,006	7,554,000	3,051,629	3,284,596	1,850,522
(ii) Stall Rents	12,604,000	3,519,726	3,619,364	2,110,227	17,550,000	3,589,308	5,400,576	2,209,866
(iii) License Fees	1,751,000	1,807,338	1,807,339	182,420	2,251,000	1,817,803	2,111,611	182,421
(iv) Other Revenue	105,815,221	24,000,000	19,325,222	51,427,930	44,485,000	48,185,000	35,760,339	46,753,153
	126,000,221	33,231,673	28,664,051	55,563,583	71,840,000	56,643,740	46,557,122	50,995,962

2.2.2 Performance in Collecting Revenue

The observations on the performance of collecting revenue of the Sabha are as follows

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
There was an arrears of Rates amounting to Rs. 1,125,468 as at the end of the year under review and it included balance of Rs. 341,219 due from 186 rateable properties related to a period from 01 to 05 years and the balances of Rs. 503,402 due from 82 rateable properties related to a period exceeding 05 years.	Action will be taken to gazette the rating area once again and thereby resume the billing of those properties, and to recover the existing arrears.	Revenue in arrears should be recovered.
(b) Rent		
i. The outstanding rent as at the end of the year under review amounted to Rs. 964,292 and out of which, arrears of Rs. 580,595 exceeding 01 year had been recovered from 13 stall owners.	A sum of Rs. 101,672 has been recovered at present and the arrears will be recovered.	Revenue in arrears should be recovered.
ii. The receivable tender charges by the end of the year under review amounted to Rs. 1,188,102 and out of which, a sum of Rs. 1,066,644 related to a period ranging from 02 to 13 years had not been recovered.	A sum of Rs. 101,672 has been recovered at present and the arrears will be recovered.	Revenue in arrears should be recovered.

(c) Other Revenue

- i. There was an outstanding water charges balance of Rs. 551,383 as at the end of the year under review and out of which, the balance of Rs.163,551 due from 55 water consumers relating to a period ranging from 01 month to 60 months had not been recovered. Action will be taken to give priority to recover the outstanding water charges related to the previous years. - Do -
- ii. It was observed at the audit test check conducted on the advertisement boards within the Pradeshiya Sabha area that the advertisement board charges of Rs. 126,417 related to 501.4 square meters had not been recovered. Revenue will be recovered as proposed in the Action Plan. Revenue in arrears should be recovered.

(d) Licence Fees

It was observed according to the audit test check that trade licence charges, business tax and industrial tax totalling Rs.31,000 due from 31 institutions as at the end of the year under review had not been recovered. Relevant charges will be recovered in the year 2023. Revenue in arrears should be recovered.

(e) Court Fines and Stamp Duty

The Court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and the other authorities as at 31 December 2022 amounted to Rs. 3,957,007 and Rs.47,470,923, respectively. A sum of Rs. 696,815 and Rs. 5,720,270 have been received as court fines and stamp duty, respectively, for the year 2022. - Do -

3. Operating Review

3.1 Execution of duties entrusted by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

Audit Observation	Comment of the Sabha	Recommendation
(a) No action had been taken to gazette the roads belonging to the area of the Sabha according to Section 27 of the Pradeshiya Sabha Act.	Action will be taken to gazette them in the future.	Roads should be gazetted and included in the inventory register.
(b) Even though the Ministry of Tourism had constructed the observation gallery and staircase near Aberdeen Falls and handed it over to the Sabha, attention had not been focused for the construction of a toilet system for the convenience of tourists at this place of aesthetic and cultural value, enacting by-laws to generate revenue for the Sabha by issuing a ticket or selling tickets through a tender process, regularization of boat service, and the safety of tourists.	Relevant activities will be carried out in the year 2023.	Assets should be properly maintained and thereby, income should be generated.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Nine advance account balances of Rs. 1,757,888 related to the period from 1995 to 2021, and previous payment deposit of Rs. 102,750 continued to exist from the year 2013 included in the pre-payments had not been settled.	Action will be taken to settle in the preparation of final account for the year 2023.	Action should be taken to settle the amounts.
(b) No action had been taken to settle 110 creditor balances of Rs. 47,823,809 related to the period from 2018 to the preceding year.	This matter will be corrected in the preparation of final account for the year 2023.	Payable balances should be settled.

3.3 Transactions of Contentious Nature

Audit Observation	Comment of the Sabha	Recommendation
Although it had been recorded in the running chart that the backhoe loader belonging to the Sabha was parked without diesel at the Riccarton waste yard from 19 March 2022 to	That the JCB machine had been worked at the waste yard on 18 and 19 March and that the machine had not	The machine should be used with a formal approval

29 April 2022, according to the records of the waste yard, the backhoe loader had been taken out on 14 March 2022, misused for 45 days until 29 April 2022. been operated after 19 March till 29 April.

3.4 Assets Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The ownership of 35 parcel of lands used by the Ambagamuwa Pradeshiya Sabha had not been taken over and the public land at Watawala had been encroached by external parties.	Action will be taken for the acquisition and arrangements are being made to evict the unauthorized residents.	Action should be taken to take over the ownership and the unauthorized residents should be evicted.
(b)	Six buildings, including libraries, building of houses and Ayurvedic building remained dilapidated without carrying out repairs and maintenance.	These activities will be done under the maintenance and repairs of the fixed deposits in the year 2023.	Properties of the Sabha should be repaired and maintained.

3.5 Contract Administration

	Audit Observation	Comment of the Sabha	Recommendation
	A sum of Rs.485,000 had been spent for the construction of the Gunanandagama Bridge in the year under review. It was observed during the physical inspection conducted on 03 February 2023 that one of the walls on both sides of the bridge had completely cracked in the middle, and the bridge remained unusable.	The construction had been damaged due to the physical change that occurred due to the sudden disaster that affected this area due to heavy rains.	Estimates should be prepared according to the site inspection.

3.6 Human Resource Management

	Audit Observation	Comment of the Sabha	Recommendation
	There were 26 vacancies in 15 staff posts and 02 posts of Development Officer remained in excess. Five employees had been employed in the position of sanitation worker which had not	Although it was informed of the vacancies, no officers have been attached as yet.	Action should be taken to fill vacancies.

been approved as per circular 25/2014. Three posts of Revenue Inspector had fallen vacant. Due to these reasons, the efficient carrying out of the revenue collection work of the Sabha had been interrupted.

3.7 Vehicle Fleet Management

Audit Observation	Comment of the Sabha	Recommendation
Four vehicles, 02 tractor tailors and a car belonging to the Chief Secretariat the value of them totlled Rs. 3,475,000 remained unused and idle since the period before 2015.	Recommendations have been submitted for the repairs of one vehicle and action will be taken to auction the water bowser and the tractor.	Action should be taken to repair or dispose of the vehicles.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Sabha	Recommendation
No action had been taken to carry out 07 activities included in the Action Plan prepared for the year under review.	There activities proposed in the Action Plan are being implemented.	Action should be taken in accordance with the Action Plan.

4.2 Budgetary Control

Audit Observation	Comment of the Sabha	Recommendation
When compared the estimated revenue and expenditure with the actuals in accordance with the budget prepared for the year under review, variations ranging from 09 per cent to 53 per cent relating to 06 items of revenue were observed, and variations ranging from 03 per cent to 100 per cent were observed with respect to 08 items of expenditure. As such, the budget had not been made use of as an effective instrument of control.	Action will be taken according to the budgetary provisions in the future.	The budget should be prepared with due consideration in keeping with the necessity.

4.3 Sustainable Development Goals

Audit Observation

Sustainable development goals had not been established in accordance with Sustainable Development Act, No.19 of 2017.

Comment of the Sabha

Action will be taken to achieve the sustainable development goals in the year 2023.

Recommendation

Action should be taken to establish goals.