

Ambalanthota Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Ambalanthota Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 Income and Expenditure Account ,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 in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

I do not express an opinion on the financial statements of the Pradeshiya Sabha. Because of the significance of the matters described in paragraph 1.6 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2. Basis for Disclaimer of Opinion

I expressed Disclaimer of 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 disclaimer of 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 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) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The total value of 03 buildings constructed by the council was Rs.5,053,339 and also office equipment and tools worth Rs.74,250 had not been capitalized.	Will be corrected by the final account of 2024.	Assets should be capitalized.
(b) In relation to the previous years and the year of under review, the amount of key money Rs.1,963,500 received from the lease of shop rooms was not taken into the income and was accounted under mixed deposits and tender deposits.	That such money will be taken into the Council's income.	Action should be made to collect such money.
(c) Salaries paid to the permanent staff, member of council allowances and employee loan interest under-reimbursed Rs.997,934 as receivable balance and over-reimbursed Rs.260,701 as payable balance were not accounted for.	Will be corrected by the final account of 2024.	The receivable balances and payable balances should be accurately identified and accounted.
(d) The court fine income to be billed was Rs.622,442 and also allocation of creditor provision of Rs.360,701 had been understated in the accounts.	Will be corrected by the final account of 2024.	Action should be taken to properly allot and account for provisions of income and creditors.
(e) In last year, 04 water tank supports purchased with a total value of Rs.331,180 were not capitalised under timber and fixtures.	Will be corrected by the final account of 2024.	Donations must be properly accounted for.
(f) The total value of capital receipts related to three industries was under accounted by Rs.295,263.	Will be corrected by the final account of 2024.	Capital receipts must be properly accounted for.
(g) A receivable amount of Rs.150,000 due from 03 shops in Ambalantota Mall had not been accounted.	Will be corrected by the final account of 2024.	Accounts receivable should be accurately identified and accounted.

- (h) In the warehouse inventory balance, the total value of 05 inventory items had been under-accounted by Rs.152,169 and the total value of 03 inventory items had been over-accounted by Rs.17,382. Will be corrected by the final account of 2024. Inventory should be accurately identified and accounted.

1.6.2 Suspense Accounts

Audit Observation	Comments of the Council	Recommendation
At the end of the year under review, the unrecognized credit balance was Rs.181,875.	Working to identify the difference	The balance in the suspense account should be identified and settled promptly.

1.6.3 Non reconciled control account

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs.156,181 in between the balances related to 02 accounting items included in the financial statements and the balances shown in the related registers/schedules.	The action will be taken to identifying the reasons for the changes and working to correct the balance.	The account should be corrected by reconciling the differences in respective balances.

1.6.4 Lack of Documentary Evidences for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of required information, 09 accounting items totalling to Rs.160,321,537 could not be checked satisfactorily during the audit	That there are no documents or schedules for certain balances, and that the details of the balances where details can be found will be presented in the future.	Evidence should be submitted to confirm the account balances shown in the financial statements.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) The section 20 of the Taxation and Valuation Act No. 30 of 1946	In the year under review, due to the levy of assessment tax based on the assessment made in the year 2011, the assessment was not implemented on time for 07 years.	The assessment tax will be collect after receiving the valuation report	Action should be taken in accordance with the Act.

- (b) 102 and 104 of Financial Regulation the Democratic Socialist Republic Of Sri Lanka. Misplacement of machinery, building materials and inventory items valued at Rs.28,488 had not been dealt with as per finance regulations. The internal auditor has been informed to carry out a preliminary investigation of the missing goods. Action should be taken according to Financial Regulations.
- (c) Public Administration Circular No. 14/2022(III) dated 11 July 2023. Although an officer of the council had gone abroad since 1st August 2023 without approving foreign leave, arrangements had not been made to approve the leave by 15th February 2024, which was the date of audit. The Chief Ministry Secretary has been informed to correct the deficiencies in the leave application forms and submit them. Action should be taken in accordance with the Circular.

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 2023 amounted to Rs.4,443,340 as against the excess of revenue over recurrent expenditure amounted to Rs.7,363,800 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Source of Revenue	2023				2022			
	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)
Other taxes	5,310,000	5,940,312	6,627,668	3,170,102	5,581,000	5,377,655	6,696,803	3,857,460
rent	15,432,000	12,575,167	16,164,732	5,159,267	254,271,000	12,493,686	14,023,430	8,748,833
License fees	2,647,000	3,685,863	3,978,259	467,850	2,778,000	2,023,292	2,448,562	760,245
Other income	12,896,000	14,561,420	14,503,543	607,790	18,543,000	8,486,845	8,552,093	549,911
Total	36,285,000	36,762,762	41,274,202	9,405,009	281,173,000	28,381,478	31,720,888	13,916,449

2.3.2 Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
(a) In accordance with sections 158(1) and 159(1) of the Pradeshiya Sabha act respectively, action had not been taken to recover the assessment tax receivable was Rs.2,800,752 and Rs.1,018,042 of rent due from 96 shops.	From Assessment tax Rs.252,086 and shop rents of Rs.515,488 have been charged and the rest of the arrears will be collected.	Arrears of income should be collected as soon as possible.
(b) According to the Gazette Notice No. 2308 dated 25th November 2022, Rs.369,350 in business tax due from 162 business units should be charged before 31 st March 2023, but the it was not done as same.	09 units are being prosecuted and 153 units have made payments to the court.	Arrears of income should be collected as soon as possible.
(c) Rs. 1,027,975 rents receivable from 05 properties leased annually and Rs.1,427,941 due for tender tax cases relating to previous years were not recovered, and 10 leasable properties owned by the council were not leased at the end of the year of under review.	That Rs.219,234 have been recovered and legal action has been taken for Rs.808,741 due from Barawakumbuka weekly market.	Arrears of income should be collected as soon as possible.
(d) The amounts of Rs.1,617,259 and Rs.68,050 were not recovered from the council's vehicle and equipment rental and rent to be received for mobile carts, respectively.	The council has information only for Rs.76,020 of the outstanding vehicle rental value and was informed to pay that amount and the mobile handcarts that do not pay rent will be handed over to the council.	Arrears of income should be collected as soon as possible.
(e) There were 22 billboards that were not included in the verification report, and from those the fee receivable was Rs.195,500, and therefore that the revenue inspectors of the council did not fulfil their official responsibilities properly, and it is observed that the expenditure incurred for the verification was an idle expenditure.	This mistake will be corrected in the year 2024 and charges will be collected.	Annual verification should be done correctly and fees should be collected.

- | | | | |
|-----|---|--|--|
| (f) | The charges of Rs.428,100 due for 50 billboards had not been collected. | That Rs. 157,800 have been charged from 21 units, and legal proceedings are being carried out for 29 units. | Arrears of income should be collected as soon as possible. |
| (g) | Court fines and stamp fees due from the Chief Secretary of the Provincial Council were Rs.3,427,813 and Rs.24,573,692 respectively. | That the stamp duty related to the year 2022 has been received and the rest of the arrears will be collected | Action should be made to collect the arrears. |

3. Operational Review

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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the council	Recommendation
(a) The survey, which was conducted for numbering and documentation of the street lights, had not been completed by 16th February 2024, the date of the audit. And the village that had completed the census work in only 07 out of 55 domains under the jurisdiction of the council.	The census work has been started in the rest of the domains by now.	Census work should be done correctly and maintenance expenses should be incurred.
(b) Instead of purchasing and installing light bulbs according to the area and location where the light bulbs will be installed, 18W , LED light bulbs valued at Rs.1,490,000 were purchased for installation at all locations.	That the bulbs will be bought and installed according to the places and areas where the light bulbs will be installed.	The requirement should be identified and the bulbs should be purchased and installed.
(c) Although the income from 07 vehicles and machinery owned by the council was Rs.1,095,550 in the year 2023, the fuel cost for them was Rs.5,661,025, however income had not been generated to be able to cover this fuel cost incurred during the year.	That the costs had to rise due to having to provide free services to fulfil public needs.	Action should be made to increase revenue generation to cover expenses.
(d) In relation to 04 approved building plans, Rs.649,568 were not collected as	That the revised plans be submitted and approved, and	Amended plans should be approved after

cover approval fees, validity period extension fees and compliance certificate fees. that the applicants were also charging the prescribed fees. informed to pay the prescribed fees.

3.2 Assets Management

Audit Observation

Comments of the council

Recommendation

The legal ownership of 07 vehicles and machinery and 143 land and buildings which were not registered in the name of the council as of the date of audit, which have been granted to the council by various government agencies since the year 2013. And at the end of the year under review, the takeover legal ownership of those had not been done.

That the documents required to take over the machinery and land buildings have been prepared and sent.

Arrangements should be made to take legal ownership of the assets.

3.3 Delays in Project Activities or Capital work

Audit Observation

Comments of the council

Recommendation

Although Rs. 3,200,000 has been allocated in the annual budget document for the development of roads and drains in the council area in the capital expenditure plan of 2023, and since the council management did not work during the year to implement those development proposals, therefore the budget document had not been used as an effective financial control strategy.

Due to the non-availability of expected income in the year 2023, it was not possible to perform these tasks.

Development proposals for which provision has been made in the budget should be implemented.

3.4 Procurement Management

Audit Observation

Comments of the council

Recommendation

(a) According to section 5.6.1 of the Government Procurement Guidelines 2006, tires and tubes with a total value of Rs.929,700 were purchased without specific specifications.

That future purchases will be made by mentioning the specified specifications.

Action should be taken in accordance with Government procurement guideline.

(b) As per section 2.8.1 (a) of the Government Procurement Guidelines 2006, a person should not be a member of both the Procurement Committee and the Technical Evaluation Committee, But the Technical Service Officer was

That purchases will be made so that such mistakes do not happen in the future.

Action should be taken in accordance with Government procurement guideline.

appointed as a member of both Procurement Committee and the Technical Evaluation Committee for the year under review.

3.5 Defects in Contract Administration

Audit Observation	Comments of the council	Recommendation
<p>JCB machines of the council was given to 02 community-based organizations for the project of laying water pipes from Barawakumbuka to Mamadala, during the rental of those machines, the amount of Rs.6,500 per meter hour was not charged for 130.9 meter hours, therefore as resulting in a loss of Rs.305,546 to the council fund.</p>	<p>According to the decision of the Finance and Policy Committee, only the fuel cost was recovered.</p>	<p>The loss to the council fund should be recovered from the responsible parties.</p>

3.6 Human Resources Management

Audit Observation	Comments of the council	Recommendation
<p>(a) By the end of the year under review, 07 excess related to 02 positions had not been formalized, since the approved carder and actual working bodies of the council were 129 and 122 respectively.</p>	<p>Action will be taken to approve the excess posts.</p>	<p>Action should be taken to formalize Excesses.</p>
<p>(b) Paragraph 4:2:3, 4.5, and 4.6 of Chapter XXIV of the Establishment Code, and in terms of paragraph 03 of Treasury Deputy Secretary No. 05/2019 dated 27 June 2019, Rs.169,749 due from 06 employees who died and left service in the council had not been recovered.</p>	<p>That Rs.5,000 has been charged from one officer, another officer is paying Rs.2,000 each in instalments, and necessary arrangements are being made to recover the debts of the other officers.</p>	<p>Action should be made to recover outstanding loan balances.</p>
<p>(c) 07 workers in the service of the council were assigned other duties apart from the approved duties of the post, and for that in the year under review, and Rs.3,290,785 were paid as salaries and allowances from the council fund.</p>	<p>Other duties as assigned as per service requirement.</p>	<p>Employees should be engaged in their assigned duties.</p>