

Ayagama Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ayagama Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other clarifications 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 subsection 172(1) of the Pradeshiya Sbha Act No.15 of 1987 and the provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported 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 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 Pradeshiy 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 Scope of Audit (Auditor's Responsibilities for the Audit of the 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

- 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 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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 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

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- (a) 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.
- (b) The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit observations in relation to the preparation of the financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the sabha	Recommendation
(a) Rs.1,520,171 incurred for the construction of 02 buildings had not been capitalized.	The mistake of not capitalizing the construction of one building had been rectified in 2024 and the transfer activities of the land in relation to other construction are being taken.	It should be accurately accounted.
(b) A repair of Rs.181,075 made to a trailer in a recurrent nature had been capitalized.	The action will be taken to rectify in 2024.	-Do-
(c) The library books worth of Rs.122,180 had not been stated as a capital income and expense.	-Do-	-Do-
(d) There is a difference of Rs.120,542,561 between the balance as per the financial statements as at 31 December 2023 and the balances as per the auxilaly books related to 03 accounting subjects.	It will be accounted having revalued the assets.The difference in construction creditors account had prevailed before 2015.	Having identified the reasons for difference, it should be rectified.

1.6.2 Lack of Documentray Evidence for Audit

Audit Observation	Comment of the sabha	Recommendation
The detailed schedules in relation to 03 asset subjects worth of Rs.24,780,073 had not been submitted.	The detailed schedules will be presented in 2024.	The detailed schedules should be submitted.

2. Financial Review

2.1 Financial Results

In accordance with the financial statements submitted, the revenue exceeded the recurrent expenditure of the sabha was Rs.4,855,682 for the year ended 31 December 2023 and coorespondingly, the revenue exceeded the recurrent expenditure in the preceding year was Rs.4,455,454.

2.2 Income Administartion

2.2.1 Estimated income, Billed income, Collected Income,and Income in Arrears

As per the information submitted by the Secretary, the information on estimated income, billed income, collected income and income in arrears in relation to the year under review and the preceding year are as follows.

Revenue Source	<u>2023</u>				<u>2022</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment Tax and Tax	2,212,380	1,566,791	1,513,157	655,413	1,287,560	1,263,910	1,246,874	581,796
Rents	8,432,770	8,207,927	7,607,873	1,361,237	7,703,612	8,423,573	8,909,463	909,920
License Fees	790,160	651,300	559,491	-	517,410	517,390	482,840	11,000
Other Income	<u>859,500</u>	<u>618,288</u>	<u>513,720</u>	<u>1,041,179</u>	<u>710,000</u>	<u>491,840</u>	<u>485,576</u>	<u>12,593</u>
	<u>12,294,810</u>	<u>11,044,306</u>	<u>10,194,241</u>	<u>3,057,829</u>	<u>10,218,582</u>	<u>10,696,713</u>	<u>11,124,753</u>	<u>1,515,309</u>

2.2.2 Performance on Revenue collection

Audit Observation	Comments of the sabha	Recommendation
(a) The annual agreements had not been signed with the lessors of 02 shops leased in 2014 and 2015 without a formal assessment and calling tenders. Similarly, an amount of Rs.135,824 quarterly agreements sureties, and outstanding rent for 2023 had not been recovered.	It is a sabha's decision. It had been agreed to complete the payment of outstanding rent within 06 months.	The outstanding income should be immediately recovered.
(b) An amount of Rs.99,550 rent for 02 shops at agricultural crops sales centre had to be recovered from 2021 to December 2023. If the rent will not be paid for 03 months, no action had been taken to insert a condition into an agreement for transfer the possession and charge the delay charges for outstanding rents.	The awareness had been made to recover it.	- Do-
(c) An Acre Tax of Rs.151,993 more than 03 years old had been remained outstanding.	The number of outstanding units had been reduced up to 166.	- Do-
(d) The fees had not been charged from temporary advertisement boards.	The payments are made to sabha for only 10 permanent advertisement boards.	- Do -

3. Financial Review

3.1 Common Utility Services

Audit Observation	Comments of the Sabha	Recommendation
Even though the rowing service at Dumbara ferry which is the shortest road from Dumbara to Rathnapura Panadura Main road had been inactive since 2020, no steps had been taken to activate that even up to 31 December 2023.	The measures had been taken to maintain such ferry since 2024.	The common amenities should be provided to the people in the area.

3.2 Solid Waste Management

Audit Observation	Comments of the Sabha	Recommendation
Even though an amount of Rs.4,676,896 had been incurred for the salaries of the staff and the vehicle maintenance in 2023 for disposal of solid waste metric tons 4.2, such waste had been disposed to an open area without eco-friendly method.	Presently, the biodegradable waste is properly disposed.	The solid waste management should be formally carried out.

3.3 Operating Inefficiencies

Audit Observation	Comments of the sabha	Recommendation
No action had been taken to regulate or remove 43 unauthorized constructions existed in the jurisdiction of sabha.	The legal provisions for this are not adequate.	The action should be taken as per the provisions of the Act.

3.4 Irregular Transactions

Audit Observation	Comments of the sabha	Recommendation
An amount of Rs.1,776,000 charged within 2023 from the children of a pre school maintained in a building belonging to sabha had not been returned to sabha and distributed among the pre school teachers. Since a post Pre School teacher in the approved cadre had not been approved, such fees couldn't be charged to sabha and to pay the allowances to the teachers and no steps had been taken to charge a rent for the sabha's building.	Since a post of pre school in charge is not in the approved cadre, a specified salary couldn't be determined. An amount to be charged from a child of a pre school had not decided.	The action should be taken as per Local Government Commissioner Circular 01/2021.

3.5 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Rs.382,066 had been incurred for that than the income collected within the year 2023 from providing water supply to 512 customers.	The water meters had not been fixed due to non-availability of money. It is expected to fix the water meters.	The action should be taken to fix the water meters and charge the income.

3.6 Vehicle Systems Management

Audit Observation	Comments of the sabha	Recommendation
A tractor and a trailer which can be repaired and run belonging to sabha had not been used since 05-08 years.	The tractor will be repaired once the provisions are recived. It had been recommended to dispose the trailer.	The assets should be effectively utilized.