

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ambagamuwa Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 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 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 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 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 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

- 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

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned 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 recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018 except observations (b) in paragraph 1.2.1 of summary report of the previous years

1.6 Audit observations in relation to preparation of the financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
The fixed deposits of Rs. 19,330 at the closing date of the year under review had been understated and the consumables of Rs. 15,820 had not been accounted.	It will be rectified when preparing the financial statements in 2024.	The account balances should be rectified.

1.6.2 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of the schedules and the files in relation to furniture and fittings and office equipment of Rs. 3,000,511 and Rs.3, 156,045 respectively in the financial statements, it couldn't be satisfactorily verified in the audit.	The documents will be rectified in the future.	The documents should be updated.

1.7 Non-compliances

Non-compliance with laws, rules and regulations

It is not complied with rules, laws and regulations in the following incidents.

Reference to laws, rules and regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Parliamentary Acts			
i. Section 140(1) of Pradeshiya Sabha Act No. 15 of 1987	No valuation had been carried out for Assessment Tax for new constructions since 13 years.	The fees will be charged.	The action should be taken as per the laws in the Act.
ii. Section 154(1) of Pradeshiya Sabha Act No.15 of 1987	1 present tax of Rs. 427,541 had not been charged from the sale of 41 land plots of 03 lands sold in the land sale in the jurisdiction of Sabha.	In due course, it will be charged.	Outstanding income should be collected.
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka			
Financial Regulations 571	As at 31 December in the year under review, 13 lapsed deposits of Rs. 406,976 existed since 2015 had not been settled.	It had been referred to the Assistant Commissioner of Local Government for instructions.	The action should be taken as per the Financial Regulations.

2. Financial Review

2.1 Financial Results

In accordance with the financial statements submitted, the income of the sabha exceeded the recurrent expenditure was Rs. 28,940,598 for the year ended 2023 and correspondingly, the income exceeded the recurrent expenditure was Rs. 21,894,414 in compliance with that.

2.2 Income Administration

2.2.1 Estimated Income ,Billed Income, Collected Income and Outstanding Income

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

Income Source	2023				2022			
	Estimated Income	Billed Income	Collected Income	Total outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Total outstanding as at 31 December
	₹.	₹.	₹.	₹.	₹.	₹.	₹.	₹.
(i) Assessment Tax and other taxes	5,589,000	3,797,102	3,790,773	1,849,334	5,830,000	3,904,609	3,912,126	1,843,006
(ii) Stall rent	10,373,100	3,164,529	3,452,798	1,821,958	12,604,000	3,519,726	3,619,364	2,110,227
(iii) License fess	1,551,000	4,367,618	4,000,948	549,090	1,751,000	1,807,338	1,807,339	182,420
(iv) Other Income	132,300,620	23,182,500	55,119,761	19,490,669	105,815,221	24,000,000	19,325,222	51,427,930
	149,813,720	34,511,749	66,364,280	23,711,051	126,000,221	33,231,673	28,664,051	55,563,583

2.2.2 Revenue Collection Performance

The observations on income collection performance are as follows.

Audit Observation	Comments of the sabha	Recommendation
<p>(a) Assessment Tax</p> <p>As at 31 December in the year under review, there was an outstanding Assessment Tax balance of Rs. 893,497 and out of that Rs. 406,171 had to be charged from 57 rates premises since more than 10 years. Even though an amount of outstanding Assessment Tax Rs. 363,473 had to be charged such as outstanding 05-10 years from 30 premises and outstanding 01-05 years from 149 premises, outstanding Assessment tax had not been charged.</p>	<p>The action will be taken to refer to the property seizure and carry out the legal action and recover such outstanding.</p>	<p>The outstanding income should be recovered as per the provisions of the Act.</p>
<p>(b) Rent</p> <p>i. A stall rent of Rs. 467,401 in relation to the preceding years as at 31 December in the year under review, had to be recovered and rent of Rs. 208,795 had to be recovered from 15 tenants between 05-10 years and Rs. 245,095 from 04 tenants between 01-05 years.</p> <p>ii. An outstanding balance of Rs. 1,066,644 had not been recovered from 09 persons since time range 03-14 years from the properties tendered on the closing date of year under review.</p>	<p>The relevant action will be taken to promptly recover it.</p> <p>It is due to be delivered an ex-parte judgement.</p>	<p>The outstanding income should be charged.</p> <p>- Do -</p>

(c) Court fines and stamp duty

The court fines and stamp duty receivable on 31 December in the year under review from Chief Secretary and other authorized officers of the provincial sabha were Rs. 1,467,828 and Rs. 18,022,841. Respectively.

The action will be taken to recover the outstanding amount.

Income should be brought.

(d) Other income

An income of Rs. 119, 865 with regard to 56 advertisements on the closing date in the year under review had not been billed and an amount of Rs. 220,192 from the billed income had not been charged for 22 advertisement boards on 31 December in the year under review.

The action is being taken to recover it.

Income should be charged.

03. Operating Review

3.1 Discharging the functions entrusted by the Act

The facts observed on regulation and control of public health, common utility services and common thoroughfares under section 3 of Pradeshiya Sabha Act and performing the functions such as wellbeing, convenience and welfare of the people to be carried out by sabha are as follows.

	Audit Observation	Comment of the sabha	Recommendation
(a)	As per paragraph 24 of Pradeshiya Sabha Act No.15 of 1987, the roads belonging to sabha had not been published in the gazette.	The necessary action will be immediately taken.	The action should be taken in terms of the provisions of the Act.
(b)	In accordance with National Environment Act No.47 of 1980 amended by the Acts No.53 of 2000 and No.56 of 1988 published in the gazette notification No.2264/18 dated 27 January 2022, Rs.27,000 license fees had not been obtained for 12 businesses on which the Environment Protection License should be obtained in the year under review.	04 businesses had been closed and one business had been prohibited. The action is being taken to issue other licenses.	In terms of the provisions of the Act, it should be regulated.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	In terms of sections 49(b) and 52 of Pradeshiya Sabha Act No.15 of 1987, the action had not been taken to charge the fees or remove the	The steps will be taken to legalize those constructions	The action should be taken to charge the fees or remove

	unauthorized constructions in relation to 10 constructions on which the development licenses had not been obtained.	after making aware the owners.	the unauthorized constructions.
(b)	As per section 49(a) of Pradeshiya Sabha Act, even though no compensation agreement should be entered into with the relevant party pertaining to a construction carried out within the boundary of the building of a pradeshiya sabha road, the sabha had not entered into any compensation agreements with any party in 14 files examined.	The action will be taken to enter into no compensation agreements by sabha.	The action should be taken to enter into no compensation agreements.
(c)	14 building applications had been approved without certifying that the owner has current ownership of the land.	The extracts will be included into every building application.	The ownership should be verified.
(d)	27 loan balances of Rs. 1,650,225 carried forward since 02 years had not been settled even up to 31 December in the year under review.	The letters had been referred to their last working stations for finding the information about officers.	The action should be taken to settle.
(e)	From 1995 to 2021, Advance Account balances of Rs. 1,715,734 had not been settled up to 31 December in the year under review.	When preparing the final accounts in 2024, the necessary steps will be taken to resolve this issue.	The action should be taken to settle.

3.3 Assets Management

	Audit Observation	Comment of the sabha	Recommendation
(a)	The opportunity of occurring a irregularity can't be neglected owing to existence of a number in the engine which is contradictory to the chassis number as per the registration certificate of gully bowser belonging to sabha.	In accordance with the computer data system, the action will be taken to rectify after examining.	The necessary steps should be taken having identified the differences.

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| (b) | As per sections 23(1) and (2) of Urban Development Authority Act (Amendment) published in the gazette notification No.2235/54 dated 08 July 2021, the ownership of a plot of land in extent of 1083 perches provided for the common amenities of sabha from the lands auctioned after subdivision had not been transferred to sabha. | The action will be taken to transfer the ownership. | The action should be taken to transfer the ownership of the lands to sabha. |
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4. **Accountability and Good Governance
Environmental Issues**

Audit Observation	Comment of the sabha	Recommendation
Due to non-identification of a suitable land for implementation of a solid waste management centre, the waste had been disposed to the Ricartan waste yard maintained by Maskeliya Pradeshiya Sabha. As a result of that, it couldn't be properly carried out the waste management.	The action had not been taken by Land Reform Commission realize the lands identified.	The waste management should be properly carried out.