

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akmeemana Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of financial position as at 31 December 2024, Statement of Financial Operations, 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 Sub-Section 10(1) 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.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Akmeemana Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified Opinion

I expressed qualified 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 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 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 (1)16 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 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 exercised professional judgment and maintain professional skepticism 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) 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	Comment of the Sabha	Recommendation
(a) The rates tax income of Rs.172,439 received in the year under review for the previous year had not been accounted as current liabilities.	Will be corrected in the future.	Accurate accounting should be done.
(b) Fixed assets were understated by the amount due to the fact that two laptop computers valued at Rs. 650,210 were not accounted for as assets.	Will be corrected in the future.	Accurate accounting should be done.
(c) Capital expenditure of Rs. 504,290 incurred by the Sabha had not been capitalized under fixed assets, and since capital expenditure of Rs.348,550 incurred during the year under review had been accounted for under recurrent expenditure, fixed assets had been understated by that amount.	Will be corrected in the future.	Capital expenditures should be accurately identified and capitalized.
(d) The value of library books worth Rs.192,100 received as donations should have been credited to the Contribution to Capital Application through Grants account, but the Contribution to Capital Application through Income account had been credited.	Will be corrected in the future.	Accurate accounting should be done.
(e) Interest income receivable for the year under review was understated by Rs. 75,193.	Will be corrected in the future.	Should be accounted correctly.
(f) Although the interest amount of Rs.6.104 million on fixed deposits released during the year under review	Will be corrected in the future.	The income for the year should be accurately identified and accounted.

should have been credited to the income of the year, the surplus for the year was understated by the amount due to the debit to the surplus deficit account.

1.6.2 Un reconciled control account

Audit Observation	Comment of the Sabha	Recommendation
As at 31 December of the year under review, there was a difference of Rs.641,933 between the balances of 07 accounting items shown in the financial statements and the balances shown in the relevant utility schedules.	Answers were not given.	The reasons for the difference should be identified and corrected.

1.6.3 Documentary evidence not available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of fixed asset register and detailed schedules, 04 accounting items totaling Rs. 73.26 million could not be satisfactorily examined.	Answers were not given.	The fixed asset register and relevant schedules must be submitted to the audit to verify the balances related to the accounting items.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 15.33 million as compared with the excess of revenue over recurrent expenditure amounting to Rs. 96.39 million 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 submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and outstanding revenue for the year under review and the previous 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 Tax	4,888,352	13,650,104	12,929,107	17,022,169	5,882,505	9,321,395	8,454,607	16,301,172
(ii)	Rent	3,231,100	2,767,379	2,915,480	541,710	2,508,600	2,597,335	2,609,002	689,811
(iii)	License Fees	3,914,750	5,257,863	5,257,863	-	2,890,150	5,912,560	5,912,560	-
(iv)	Other Income	49,527,220	35,982,136	32,407,804	4,313,462	21,891,070	23,232,625	23,164,335	739,130
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		61,561,422	57,657,482	53,510,254	21,877,341	33,172,325	41,063,915	40,140,504	17,730,113
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2.2.2 Performance in Revenue Collection

.Observations related to performance in revenue collection of the Sabha are given below

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Rates and Taxes		
	As at the end of the year under review, there was arrears of rates and taxes of Rs.17.02 million and the tax collection rate for the year was low at 43 percent.	Action will be taken to recover it in the future.	A program should be developed promptly to recover outstanding balances without delay and outstanding balances should be recovered accordingly.
(b)	Rent		
	Due to non-collection of rent in terms of Section 159 (i) of the Pradeshiya Sabha Act No. 15 of 1987, there was a deficit balance of Rs.541,710 as at the end of the year under review.	The arrears of revenue are being collected.	A program should be developed promptly to recover outstanding balances without delay in accordance with the provisions of the Pradeshiya Sabha Act and the outstanding balances should be recovered accordingly.
(c)	Other Revenue		
i.	The other income deficit balance at the beginning of the year under review was	Action will be taken to recover the	A program should be developed promptly to

	Rs.739,130, which had increased to Rs.4.31 million at the end of the year.	outstanding balance.	recover outstanding balances without delay and outstanding balances should be recovered accordingly.
ii.	A balance of Rs.987,050 remained to be collected from 242 water consumers as at 31 December of the year under review,	The outstanding balance will be recovered by issuing red notices, disconnecting the water supply.	A program should be developed promptly to recover outstanding balances without delay and outstanding balances should be recovered accordingly.
iii.	As at 31 December of the year under review, Rs. 3.95 million in court fines and Rs. 26.35 million in stamp duty were due from the Chief Secretary of the Provincial Council and other authorities.	Answers were not given.	Arrangements should be made to collect the court fines and stamp duties due for the year within the relevant period.

2.3 Surcharges

Audit Observation	Comment of the Sabha	Recommendation
As per the provisions of the Pradeshiya Sabha Act, had to recover the surcharge of Rs.1.78 million imposed by me in previous years against the responsible persons by 31 December 2024.	That future action will be taken based on the instructions of the Local Government Commissioner.	The surcharges imposed should be recovered from the relevant parties.

3. Operational Review

3.1 Performing the 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	Comment of the Sabha	Recommendation
The Sabha had not implemented a formal program for waste management, and the Sabha Secretary had been paid holiday pay of Rs.92,219 during the year under review, indicating that waste management activities had been carried out.	Waste management activities should be monitored systematically.	Payments should be checked and appropriate action taken.

3.2 Identified Losses

Audit Observation	Comment of the Sabha	Recommendation
Rs.126,650 had been paid as composite allowances to 37 officers who participated in training programmes where food and accommodation facilities were provided, in contravention of Section 4.1 of Chapter XIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.	Payments will not be made in the future.	Actin should be taken to recover the allowances paid.

3.3 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
82 institutions that were required to obtain environmental permits for the year 2024 had not obtained environmental protection license, and Rs.369,000 in license fees and Rs.246,000 in inspection fees had not been collected from the Sabha.	Field visit will be conducted and licenses will be issued in the future.	An annual survey should be conducted on the institutions that should issue environmental license and permits should be issued.

3.4 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
An amount of Rs.403,373 had been collected for 130 road repairs carried out to provide water connections to the public in the Sabha area, and the Sabha had not taken action to restore those roads and settle that amount During the year under review.	Due to the current shortage of staff, these activities cannot be carried out properly.	The money that is due should be collected promptly.

3.5 Human Resources Management

Audit Observation	Comment of the Sabha	Recommendation
(a) The outstanding debt balance from two officers serving in the Sabha as at 31 December 2024 was Rs.135,191, of which Rs.132,191 was due since 1988.	Cannot be found the information regarding this.	Action should be taken to recover the loan balance.
(b) Contrary to Public Administration Circular No. 18/2001 dated 22 August 2001, 45 officers who had served in the Sabha for more than 05 years had not been transferred even though they had been in the service of the Sabha for a period of between 06 and 28 years.	Transfer applications have not been made for institutionalized positions.	Transfers should be made in accordance with transfer policies.