Akuressa Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akuressa Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial performance, statement of changes in net assets and 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 172 (1) of the Pradeshiya Sabha Act No.15 of 1987 and the Sub Section 10 (1) of the National Audit Act No.19 of 2018. 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 statement of financial positions as at 31 December 2024 of the Akuressa Pradeshiya Sabha, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 Principles, 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 to be prepared.

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 exercise 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 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 Industry;

- Whether it 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 other Legal Requirements

The National Audit Act No.19 of 2018 includes special provisions regarding the 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 described in paragraph 1.6 of this report 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 Observations	Comments of the Council	Recommendation
(a)	The shops key money of Rs.01 million and notice board fees of Rs.237,000 were understated for the year under review.	That the correction will be made when preparing the final accounts for the year 2025.	Accurate accounting should be done.
(b)	The amount of Rs.01 million paid for the construction of the auditorium of a stadium owned by the council, the cost of installing the CCTV camera system of Rs.965,350 and the cost of installing the canopy of the crew cab vehicle of Rs.234,545 had not been capitalized during the year under review.	That the correction will be made when preparing the final accounts for the year 2025.	Capital should be identified and accounted correctly.
(c)	Consumables amounting to Rs.480,167 were accounted under furniture and equipment during the year under review.	That the correction will be made when preparing the final accounts for the year 2025.	Current assets and fixed assets should be accurately identified and accounted.
(d)	Rs.360,000 paid for the year 2025 for the maintenance contracts of the bus stand and public market wastewater treatment units had been accounted under creditors in the year under review.	That the correction will be made when preparing the final accounts for the year 2025.	Payments in advance should be accounted correctly.

(e)	The total investment interest receivable for 03 fixed deposits had been over-accounted by Rs.78,205.	That the correction will be made when preparing the final accounts for the year 2025.	Interest income receivable that was over-accounted should be accounted correctly.

1.6.2 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Council	Recommendation
Due to the non-submission of inventory register, receipt orders, vouchers, etc., 02 accounting items totaling Rs.333,359 could not be satisfactorily examined during the audit.	Action will be taken to correct it in the future.	Written evidence confirming the account balances shown in the financial statements should be submitted to the audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent income exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.44.89 million, and correspondingly, the recurrent income exceeding the recurrent expenditure of the previous year was Rs.9.36 million

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the following is the information on estimated income, billed income, collected income and arrears of income for the year under review and the previous year.

		2024				2023			
	Source of Revenue	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)	Assessments and Taxes	8,102,000	9,422,299	7,945,582	3,429,098	6,551,000	3,971,428	4,160,242	1,952,381
(ii)	Rent	5,805,000	13,224,325	3,495,624	17,377,778	8,900,000	4,931,537	4,078,684	7,649,077
(iii)	License fee	3,429,100	2,424,604	2,424,604	-	6,198,800	3,327,989	3,327,989	-
(iv)	Other Revenue	28,361,000	17,740,080	16,089,340	1,692,500	26,335,300	17,608,700	18,639,261	41,760
	Total	45,697,100	42,811,308	29,955,150	22,499,376	47,985,100	29,839,654	30,206,176	9,643,218

2.2.2 Performance in collecting Revenue

The following are observations regarding the performance of revenue collection of the council.

	Audit Observations	Comments of the Council	Recommendation
a)	**Assessment** There was an arrears balance of Rs.3.42 million in respect of 1887 assessment units, out of which Rs.662,255 had been arrears for more than 05 years.	Legal action will be taken to recover outstanding balances.	Actions should be taken to recover arrears of revenue promptly.
(b)	**Rent**		
(i)	A shop rent balance of Rs.5.23 million was to be collected from the lessees of 160 shops owned by the council as at the end of the year under review, and out of which Rs.3.44 million which was to be collected from 38 lessees was in arrears for 05 years.	An amount of Rs.859,316 has been recovered.	Actions should be taken to recover arrears of revenue promptly.
(ii)	The 12 shops in front of the old bus stand owned by the council had been leased without a legal agreement, contrary to paragraph 05 of the Circular No. SLGLGC/2010/01 dated 27 December 2010 of the Southern Province, Local Government Commissioner. Furthermore, the lease agreements of 90 shops in 02 shopping malls had not been updated and the delay in updating the lease agreements ranged between 03 and 33 years.	Agreements have been signed for 03 shops and written notices have been given to sign agreements for the other shops.	Actions should be taken to enter into a agreement or update the agreement in accordance with the circular provisions.
(iii)	A total key money of Rs.293,288 had not been collected in the lease of 05 stalls in the public market complex owned by the council, as per paragraph 04 of the Circular No.SLG/LGC/2010/01 dated 27 December 2010 of the Southern Province, Local Government Commissioner.	The spouse has informed to submit the shop title for the shop that the lessee has died in and that legal action will be taken for the other shop.	Action should be taken to recover the key money promptly.
(iv)	Land rent amounting to Rs.1.21 million had not been collected from 37 land rent properties owned by the Council during the year under review.	That the action has been taken to obtain a new assessment.	Action should be taken to recover arrears of revenue promptly.

(v)	The council had not taken actions to take possession of the leased properties of 34 lessees who had defaulted on their agreements.	Action will be taken after the Governor, as the Minister in charge of Finance, gives approval to the series of proposals to take over the possession.	Actions should be taken to taken over the land rent possession of 34 lessees who have defaulted on their agreements.
(c)	**Other Income**		
	As at the end of the year under review, court fines of Rs.3.11 million and stamp duty of Rs.75.31 million were due from the Chief Secretary of the Provincial Council and other officers.	Requests have been made to the Chief Secretariat to obtain the amount.	Actions should be taken to recover arrears of revenue promptly.

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendation
Action had not been taken to recover the total of Rs.184,000 incurred from the council fund for the removal of dangerous trees on private lands within the council area of authority during the year under review from private landowners in accordance with Section 107(2) of the Pradeshiya Sabha Act No.15 of 1987.	That the actions are being taken to recover the amount.	It should be recovered promptly in accordance with Section 107(2) of the Pradeshiya Sabha Act.

3.2 Operational Inefficiencies

	Audit Observations	Comments of the Council	Recommendation
(a)	Although between 03 and 04 years had passed since 95 building applications were approved and building development permits were issued from 2020 to 2021, only 11 of these buildings had been issued with certificates of compliance.	Owners of approved building applications have been informed of the next steps through letters since 2020, and technical officers have also been informed to carry out activities according to the follow-up programs	After issuing building development permits, follow-up should be conducted to ensure that construction has been carried out according to the approved plan within the specified time frame.
(b)	In accordance with Section 28(1) of Gazette Notification No.2235/54 dated 08 July 2021 containing the Urban Development Authority Planning and Development	If the deficiencies in the applications are not corrected, legal action will be taken regarding the	Legal action should be taken to demolish unauthorized constructions or

	Orders/Regulations, 2021, although no person shall newly construct, alter or repair any building in connection with any development activity without a development permit, Legal action had not been taken regarding the construction of a four-storey building at a place called Kammala Godamulla in the council area of authority.	relevant unauthorized construction.	consider them as unauthorized constructions.
(c)	Apart from Section 83(1) of Gazette Notification No.2235/54 dated 08 July 2021 containing the Urban Development Authority Planning and Development Orders/Regulations 2021, although a 4-storey building had been constructed in the Mitiyawatta area, which falls within the municipal limits of the council area of authority, contrary to the approved building plan, and had been put into use without obtaining a certificate of compliance, the council had not taken legal action in this regard.	If the deficiencies in the applications are not corrected, legal action will be taken regarding the relevant unauthorized construction.	Legal action should be taken regarding use without obtaining a certificate of compliance.

3.3 Assets Management

Audit Observations	Comments of the Council	Recommendation
Actions had not been taken to acquire the legal ownership of 11 lands occupied by the Pradeshiya Sabha even at the end of the year under review.	Documents cannot be found to confirm that the council owns the land, and despite the requests, the land has not been transferred.	Actions should be taken to acquire legal ownership.

3.4 Human Resource Management

Audit Observations	Comments of the Council	Recommendation
The 08 primary grade employees employed by the council were assigned other duties without being assigned the duties required for the position and an amount of Rs.4.86 million was spent from the council fund as salaries and allowances during the year under review.	The services of those 08 employees will be utilized for public welfare, health care and road maintenance.	The duties related to the position should be assigned.