

Ayagama Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ayagama Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Cash Flow Statement, Statement of changes in net assets 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 in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Ayagama 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 regarding financial statement 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 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 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 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 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 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 Observation	Comments of the Council	Recommendation
Rs. 3,259,976 was for 02 projects completed during the year under review, Due to the provision made for creditors the amount of Rs. 2,933,978 paid during the year, current liabilities were shown to be higher by that amount, while the surplus for the year was shown to be lower by the same amount.	That adjustments will be made when preparing the final accounts for the year 2025.	Must be accounted for correctly.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 145,673,434 between the balances as per the financial statements and the balances as per the supporting documents at the end of the year under review in relation to 03 accounting items.	That assets are being revalued under the new accounting system and their proper values are being recorded in the accounts, and that the industrial creditors' balance is a value prior to the year 2010.	The reasons for the difference must be identified and corrected.

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 2024 amounted to Rs. 3,686,400 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 4,855,682 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 arrears of revenue for the year under review and the previous year are shown below.

Source of income	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,827,303	1,806,736	2,031,306	229,647	2,212,380	1,566,791	1,513,157	655,413
Rent	9,967,939	10,287,942	10,632,855	197,971	8,432,770	8,207,927	7,607,873	1,361,237
License fees	649,620	650,325	652,115	-	790,160	651,300	559,491	-
Other Revenue	843,700	810,011	644,478	-	859,500	618,288	513,720	1,041,179
	<u>13,288,562</u>	<u>13,555,014</u>	<u>13,960,754</u>	<u>427,618</u>	<u>12,294,810</u>	<u>11,044,306</u>	<u>10,194,241</u>	<u>3,057,829</u>

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below

Audit Observation	Comments of the Council	Recommendation
The arrears of rent and late fees amounting to Rs. 270,464 due for the year under review from 03 shops belonging to the council and the Ayagama Police Station had not been collected by April 2025.	One shop has been sealed and a lawsuit will be filed to recover the outstanding amount by tendering the shop again. The Ayagama Police Station is taking steps to recover the outstanding amount and the remaining outstanding amount.	Action should be taken to recover the arrears of revenue.

3. Operational Review

3.1 Performing of Functions Enacted 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.

3.1.1 Solid Waste Management

Audit Observation	Comments of the Council	Recommendation
Although approximately Rs. 4,852,518 was spent on staff salaries, vehicle maintenance	Work is underway to find a suitable land for garbage	Solid waste should be managed properly by

and fuel to dispose of approximately 4.5 metric tons of solid waste during the year under review, the biodegradable waste was dumped in pits on land near the Ayagama Stadium and covered without identifying a suitable location for the management of that waste.

disposal.

takeover suitable land for waste disposal.

3.2 Management Inefficiencies

Audit Observation

Detailed schedules had not been prepared for 03 accounting items totaling Rs.24,955,401.

Comments of the Council

Under the new accounting system, a revaluation of assets will be carried out and their proper value will be recorded in the accounts.

Recommendation

Detailed schedules should be prepared.

3.3 Operational Inefficiencies

Audit Observation

Although the land on which the fuel station in Ayagama town is built was leased on a long-term lease basis for 30 years on 09th September 2022, the tax rent of Rs. 62,000 that was to be collected as per the agreement had not been collected from that date until 22 March 2023. Also, although according to the new assessment, Rs. 58,333 should have been collected as monthly rent from 01 December 2023, by the end of March 2025, only Rs. 10,333 had been received as monthly rent, resulting in an arrears of Rs. 773,328.

Comments of the Council

It has been stated on several occasions that the outstanding amount has to be paid promptly.

Recommendation

Steps should be taken to recover the monthly tax amount and the arrears based on the new assessment.

3.4 Defects in Contract Administration

Audit Observation

- (a) Although the construction of the new shopping mall in Phases I and II was completed in August 2023 with a loan of Rs. 17,748,000 obtained from the Local Loan Development Fund, by April 2025, the relevant shopping mall had not been put into use for its intended purpose and income had not been generated.

Comments of the Council

That there are still several essential tasks that need to be completed for the lease of the shop and that the necessary work is being carried out for that purpose.

Recommendation

Steps should be taken to generate income by providing the necessary facilities and utilizing the relevant shopping mall for its intended purpose.

(b)	As a result of payments being made using a higher rate than the rate that should be used for shuttering as per the Highway Schedule Rates (HSR), an excess of Rs. 335,434 had been paid for 15 industries.	After the audit pointed this out, Rs. 50,906 was recovered from 06 industries and the remaining amount will be deducted from the final bills or the retention money.	Action should be taken to recover overpayments.
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**4. Accountability and Good Governance
Sustainable Development Goals**

Audit Observation	Comments of the Council	Recommendation
Nine programs planned to achieve the Sustainable Development Goals had not been implemented, and the progress in implementing 24 programs was at a low level of 25 to 50 percent.	Since it is a low-income pradeshiya sabha, there are insufficient financial provisions to implement the relevant programs.	Annual plans should be prepared and implemented to achieve sustainable development goals.