

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ampara Urban Council for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 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 181(1) of the Urban Councils Ordinance (Chapter 255) and sub-section 10 (1) of 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ampara Urban Council as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practice.

1.2 Basis for Qualified Opinion

My opinion is qualified based 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 the parties in charge of governance on 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 in charge of governance are responsible for overseeing the financial reporting process of the Urban Council.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Urban Council 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:

- Designed and performed the appropriate audit procedures, identified and assessed 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 Urban Council, and whether such systems, procedures, books, records and other documents are in effective operation.
- Whether the Urban Council has complied with applicable written law, or other general or special directions issued by the governing body of the Urban Council.
- Whether the Urban Council has performed according to its powers, functions and duties; and
- Whether the resources of the Urban Council 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 includes specific provisions for following requirements.

- (a) The financial statements of the Urban Council are in consistence with that of the previous year as required by 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 Observations	Comments of the Council	Recommendations
(a)	Fixed assets worth Rs. 5,566,615 purchased during the year under review had not been disclosed in the relevant fixed assets accounts.	The fixed asset account will be corrected in 2025.	Fixed assets should be accounted for correctly.
(b)	Expenditures amounting to Rs. 30,286,340 relating to LDSP and PSDG projects implemented during the year under review had not been capitalized.	Fixed assets have not yet been estimated and action will be done to capitalize construction in the future.	Capital expenditure should be accounted for correctly.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to the failure to submit balance confirmations in respect of 07 accounting subjects totalling Rs. 39,566,324 as stated in the financial statements, it was not possible to conduct a satisfactory audit.	It is a long-standing balance. Investigations will be conducted and appropriate actions will be taken through the final accounts of 2025.	Evidence confirming the account balances shown in the financial statements, should be submitted,

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

	Reference to Laws, Rules Regulations	Non-compliance	Comments of the Council	Recommendation
(a)	Urban Council Ordinance (Chapter 255)			

Section 170	The Urban Council had not taken any action to implement the procedures required to seize the property and recover the arrears of assessment tax due on the properties belonging to the Urban Council and the rent of Rs. 44,752,948 due on the rental of the properties belonging to the Urban Council .	The stalls were sealed and taken into the possession of the council, and arrangements were made to deliver the goods to the relevant owners. Complaints have been made to the Ampara Police to take legal action to recover certain arrears fees.	Actions should be taken in accordance with the provisions of the Urban Council Ordinance.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 880	Actions had not been taken to obtain security deposits from the officers in charge of money and assets of the Urban Council, such as the cashier, officers in charge of money and cheques, officers who sign cheques, officers in charge of stores and the revenue inspector.	Since positions had to be changed frequently, it had become an obstacle to obtaining security deposit.	Financial regulations should be followed.
(c) Public Administration Circulars Paragraph 3 of Public Administration Circular No. 30/2016 dated 29th December 2016	Although vehicle fuel combustion tests should be conducted once every 12 months or after driving 25,000 kilometres, action had not been taken to conduct fuel combustion tests for 08 used vehicles owned by the Urban Council .	Since some vehicles did not have meters, meters have been installed in the vehicles and relevant inspections have been carried out. Furthermore, since meters had to be installed outside vehicles without dashboards, the relevant work has been delayed.	Action should be taken in accordance with the provisions of the circular.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 2,489,573 as against the excess of revenue over recurrent expenditure amounted to Rs. 10,008,803 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 presented by the Mayor of the Council relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2024				2023			
	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 Taxes	11,650,000	8,872,372	10,998,060	44,752,948	11,700,000	10,341,122	7,786,972	37,875,918
ii. Rent Income	11,502,126	5,845,606	15,679,204	16,933,586	12,453,126	9,617,823	8,574,559	13,218,503
iii. License Fees	2,402,000	17,637,211	1,763,721	-	3,302,000	1,475,065	1,475,065	-
iv. Other revenue	68,190,200	74,290,530	74,290,530	-	76,502,580	68,974,836	68,974,836	-
v. Total	<u>93,744,326</u>	<u>106,645,719</u>	<u>102,731,515</u>	<u>61,686,534</u>	<u>103,957,706</u>	<u>90,408,846</u>	<u>86,811,432</u>	<u>51,094,421</u>

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Council	Recommendation
(a) The assessment tax amount to be collected as of December 31, 2024 was Rs. 44,752,948, which was more than five times the annual assessment amount to be collected.	Warrants have been issued to the relevant property owners in 2024 to make payments within 14 days, and red notices have been issued to parties who have not made payments even after that.	Action should be taken to recover arrears of revenue immediately.
(b) The arrears rent balance continued to increase from 2018 to 31	Arrangements have been made to renew shop	Necessary action should be taken to

December 2024, and as at 31 December 2024, the arrears rent balance was Rs. 16,933,586.

agreements from January 2025.

recover the arrears amount.

3. Operational Review

3.1 Fulfilment of 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 Council under Section 4 of the Urban Councils Ordinance are shown below.

Audit Observation	Comments of the Council	Recommendation
All the functions for which by-laws should be enacted under Section 157 of the Urban Council Ordinance had not been identified and action had been taken to enact by-laws, and as of December 31, 2024, only 06 by-laws had been enacted.	There is a practical problem in adopting by-laws. The Ministry of Local Government is in the process of preparing a general set of by-laws.	The proceedings of the council should be legalized by enacting by-laws.

3.2 Management inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Although a valid environmental permit should have been obtained under the Environmental Act No. 47 of 1980, as amended by Acts No. 56 of 1988 and No. 53 of 2000, for the Solid Waste Management Center maintained by the Ampara Urban Council at Buddhangala Road, Thissapura, an environmental permit had not been obtained by 31 December 2024.	Due to the decision not to separate biodegradable and non-biodegradable waste due to the COVID-19 pandemic that began in March 2020, the Solid Waste Management Unit has not been restarted until now. Accordingly, it is not possible to apply for an environmental permit, and action will be taken to obtain an environmental permit for the purpose after the Solid Waste Management Unit is restarted.	Action should be taken to obtain an environmental permit as soon as possible.
(b) During the year under review, Rs. 61,244,551 was earned from the liquor bar, rest house and function halls. 09 employees are working in	The relevant locations are inspected from time to time by the accountant and the revenue	A proper governance process should be established as soon

those places, and the books and other documents used in those places had not been properly monitored.

inspector, even though, the services of 4 revenue inspectors are required, but the Urban Council has only one revenue inspector, so it has not been possible to carry out the relevant inspections adequately.

as possible.

- (c) Furniture had been purchased from the 5.5 million saved from the Public Park renovation project without any approval, and had not yet been used

A total of Rs. 5.69 million was left under PT2 of the project, and that money was used to purchase goods.

Unused items should be utilized promptly.

3.3 Operating Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Assessment taxes for the year 2024 were levied, based on an assessment carried out in 2005 on properties belonging to the Urban Council area.	It is possible to levy the relevant assessment taxes based on the new assessment from 2026.	Taxes should be assessed and collected on a timely basis.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
Twelve vehicles in the possession of the Urban Council, which were in a state of irreparability, were deteriorating due to failure to auction them using the prescribed procedure.	The council has had several vehicles that have been beyond repair for a long time, Action will be taken to auction those vehicles immediately following the approved procedures in the future.	Action should be taken to auction it urgently.

3.5 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) Action had not been taken to identify the value of 42 lands belonging to the Urban Council and the buildings located on those lands, prepare schedules, and include the values in the asset register and keep them up to date.	Many of the lands and buildings owned by the Urban Council do not have deeds in the name of the Urban Council, and therefore there are problems in valuing	Action should be taken to acquire the property, identify the value, document it and account for it.

them. Some land surveys are currently being carried out to prepare deeds for the relevant properties, but it takes a lot of time.

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| <p>(b) As of the date of the audit, the Urban Council had not taken any action to acquire the ownership of 14 vehicles in its possession to the name of the Urban Council.</p> | <p>4 vehicles that are currently suitable for driving will be taken over in the future, and since the remaining vehicles have been removed from service for some time, it has not been possible to obtain emission reports to obtain revenue licenses to take over those vehicles.</p> | <p>Action should be taken to take over the ownership of the vehicle and repair or dispose of it.</p> |
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3.6 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
(a) As of December 31st of the year under review, 08 positions in the Urban Council remained vacant.	Although there are 4 approved revenue administrator positions, only one officer is currently working.	Necessary action should be taken to fill the vacancies.
(b) According to the employee loan register, 07 loan balances worth Rs. 924,762, which should be collected from employees, have remained uncollected for more than a year.	The loan balance of the deceased employee has been included in his involuntary claim to recover the loan, and actions have been taken to recover the loan balance from the guarantors of employees who have issued notices of leaving the service. Some employees who have left the service are making arrangements to settle the relevant loans on a monthly basis.	Action should be taken to recover the arrears balance immediately.

3.7 Vehicle Fleet Management

Audit Observation	Comments of the Council	Recommendation
Actions had not been taken to obtain revenue licenses and insurance certificates for 24 used vehicles owned by the Urban Council.	The council has already obtained insurance certificates for all vehicles in running condition, and revenue licenses have been obtained for several major vehicles in running condition.	Action should be taken to obtain insurance certificates and revenue licenses annually.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Council	Recommendation
In accordance with Section 40 of the National Audit Act, No. 19 of 2018 and Financial Regulations 133(1), Recommendations for improving organizational operational processes and enhancing performance had not been made by internal audit	While the Internal Audit Committee meets once every 3 months, an internal audit is conducted there and the relevant officers are informed.	Recommendations should be made to improve organizational operational processes and enhance performance, covering all functions of the Municipal Council, in accordance with the National Audit Act.

4.2 Audit Committees

Audit Observation	Comments of the Council	Recommendation
In accordance with the Internal Audit Guidelines Circular No. DMA/01–2019 dated 12 January 2019 of the Department of Management Audit, the Council had not established the Audit and Management Committees and held committee meetings by the end of the year under review.	Necessary actions will be taken to establish audit and management committees in the future.	Action should be taken to establish an audit and management committee and hold meetings.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
In accordance with the Sustainable Development Act No. 19 of 2017, the Council had not taken adequate measures to collect the necessary data required to achieve the sustainable development goals and objectives and provide the necessary financial provisions	When preparing the 2025 budget, provisions have been allocated in a way that achieves sustainable development goals.	According to the circular, the Council should take action to collect the necessary data required to achieve the sustainable development goals and objectives and provide the necessary financial provisions