

Dompe Pradeshiya Sabha - 2022

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Dompe Pradeshiya Sabha. including the financial statements for the year ended 31 December 2022 comprising the statement of assets and liabilities as at 31 December 2022, comprehensive income statement, statement of changes in net equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 Provisions 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 financial statements give a true and fair view of the financial position of the Dompe Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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.

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 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	Comments of the Council	Recommendation
(a) Work in Progress balance Rs.58,685,377 as per ledger account, had not been accounted for as Non-Current Assets.	Actions will be taken to correct.	Should be accounted correctly.
(b) An Ayurvedic stock of Rs.419,480, received as donations in the year under review, had been credited to a Donation account and accounted as equity.	-do-	-do-
(c) The Accumulated Fund had been debited instead of Capital Grant Account, when writing off 218 nos uncollectible Industrial Debtor Balances amounting to Rs.2,938,800 as at 31 December of the year under review.	-do-	-do-
(d) When removing, the total value of Fixed Assets lower than Rs.5,000 amounting to Rs.2,968,745 from accounts, the Reserves and Provisions Account had been debited instead of debiting Comprehensive Income Statement or Accumulated Fund.	-do-	-do-
(e) When accounting, Industrial Debtor Provisions of Rs.759,725 in the year under review, Work in Progress Account had not been debited and Capital Grants Account had not been credited.	-do-	-do-
(f) The value of 05 works amounting to Rs.9,480,000, which had not even been commenced as of 31 December of the year under review, had been accounted as Assets and Creditors.	-do-	-do-
(g) The Drinking Water Well at Pugoda Siyabalagahawatta valued at Rs.250,000, had been accounted twice as Property, Plant Equipment.	-do-	-do-

- (h) The Pannala Wanniyawatta land bearing the Deed no.06, had been accounted twice as Rs.21,975,000 and Rs.15,000,000. -do- -do-
- (i) Recurrent Expenditure of Rs.364,847 had been accounted as Buildings. -do- -do-
- (j) Library Book Donation value of Rs.135,470 in the year under review, had been credited to Donations Account, which should have been credited to Capital Grants Account. -do- -do-

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.76,087,748 as compared with the excess of revenue over expenditure amounted to Rs.49,034,331 in the preceding year.

2.2 Revenue Administration

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

As per the information presented by the Secretary, particulars relating to the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Income Source	2022				2021			
	Estimated Income	Billed Income	Collected Income	Arrears Income as at 31st December	Estimated Income	Billed Income	Collected Income	Arrears Income as at 31st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes	30,941,340	32,205,831	29,907,222	8,863,625	29,427,599	38,189,359	30,086,635	8,102,725
(ii) Rent	24,766,609	23,014,790	23,368,013	2,184,428	23,175,250	31,675,759	23,395,341	8,280,417
(iii) License Fees	1,093,000	1,046,094	1,046,094	-	1,336,300	1,470,609	1,470,609	-
(iv) Other Income	14,720,698	148,813,229	148,813,229	-	122,137,235	280,674,114	280,674,114	-
	<u>71,521,647</u>	<u>205,079,944</u>	<u>203,134,558</u>	<u>11,048,053</u>	<u>176,076,384</u>	<u>352,009,841</u>	<u>335,626,699</u>	<u>16,383,142</u>

2.2.2 Revenue Collection Performance

Observations relating to the performance of Revenue Collection of Sabha is stated below.

Audit Observation	Comments of the Council	Recommendation
Rs. 8,863,625 of arrears Rates balance as at 31 December of the year under review included, Rs.470,003 of balances between 05 to 10 years and Rs.2,634,043 of balances for 03 to 05 years.	Actions will be taken to charge arrears Rates.	Arrears Rates should be charged in terms of the Act.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) According to the Assets Verification Report as at 31 December of the Year under review 2023, values of 05 nos. Lands in extent of 02 Roods and 15 Perches, 09 nos. Lands of which extents cannot be identified, a Community Centre, 07 nos. Wells, a Security Post, a two Storied Building and a Toilet had not been assessed and accounted for.	Will be corrected in the 2023 Final Accounts.	Should be correctly valued and accounted for.
(b) Industrial Debtor Balance as at 31 December of the year under review, had been Rs.2,306,122.	Actions will be taken to reduce arrears Industrial Debtor balances.	Debtor Balances should be settled.
(c) Industrial Creditor Balance as at 31 December of the year under review, had been Rs.17,435,000.	Actions will be taken to reduce Industrial Creditor balances of the Sabha.	Creditor balances should be settled.