

Dambulla Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dambulla Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Balance sheet as at 31 December 2022, Income and Expenditure Account 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 National Audit Act No.19 of 2018. My comments and observations which I consider should be presented 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 Dambulla Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

I express a 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 for Local Authority, 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 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 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented are consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (a) The financial statements presented includes 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 Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The rent of Rs.575,864 due for the previous year at Sigiriya parking lot was considered and accounted as income for the year under review.	Such errors will not be made in the future	It should be accounted for accurately.
(b) Revenue billed for lease of trading rights at Sigiriya parking lot had been understated by Rs.1,152,500.	- Do -	- Do -
(c) Rent income of motor grader, backhoe loader was under-accounted for Rs.465,305.	- Do -	- Do -
(d) The salary reimbursement in arrears of Rs.256,110 due in respect of the year under review were not accounted for.	- Do -	- Do -
(e) Although the bank balance was Rs.21,800,483 according to the revised cash book after adjusting the remittances and fees received directly by the bank, the balance sheet showed the balance as Rs.18,942,945, so the bank balance was understated by Rs.2,857,638.	- Do -	- Do -
(f) The land plot consisting of 29 rood 01 perches worth of Rs.2,500,000 had been reserved for public purposes was not accounted for under fixed assets.	- Do -	- Do -
(g) The billed stamp duty income for the year under review was understated by Rs.677,000.	The fault shown by the audit is accepted.	All arrears should be accounted for.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.52,573,515 when comparing the balances as per financial statements of 27 account subjects with the balances mentioned in the corresponding reports.	The changes will be corrected in the future	Account balances should be corrected

1.6.3 Unauthorized Transactions

Audit Observation	Comments of the Sabha	Recommendation
Tourist's hotel license fees of Rs.3,652,076, which were identified as deficit income in previous years, had been written off without proper approval.	In the preparation of the accounts in the year 2023, it will be brought back to the income and after taking the correct measures, it will be write off.	After getting a proper approval, arrangements should be made to write off the arrears of income.

1.6.4 Suspense Accounts

Audit Observation	Comments of the Sabha	Recommendation
The debit balance of Rs.411,946 in the storage suspense account was not cleared in the year under review.	In the future, this account will be settled	The balance should be identified and settled.

1.6.5 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
As on 31st December of the year under review, 04 account balances totalling Rs.150,517,858 could not be verified satisfactorily due to non-submission of schedules and balance confirmation letters.	Documents will be corrected.	Documents and schedules should be prepared for account balances.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Below are the cases where rules, regulations and management decisions were not complied with.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Financial regulations of the Democratic Socialist Republic of Sri Lanka . F.R. 571(3)	05 other deposit balances of Rs.1,108,150 to be recognized as income in previous years were not settled.	The adjustments of to the accumulated fund will be made in preparing the account for 2023	Financial regulations should be followed.
(b)	Treasury Circular No. 2/2017 dated 21 December 2017	03 vehicles and 02 tractor-tailors used by the Dambulla Pradeshiya sabha had not been taken over.	Actions are being taken to take over the ownership	Circular provisions should be followed.
(c)	Paragraph 2(a) of Treasury Circular No. 04/2022 dated 25 January 2022	02 vehicles which are not in the drivable condition were not disposed.	Action will be taken to dispose.	Circular provisions should be followed.

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 2022 amounted to Rs.15,101,567 as compared with the excess of revenue over recurrent amounted to Rs.18,118,670 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 Secretary 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 -----	2022 -----				2021 -----			
	Estimated Revenue ----- Rs.	Revenue billed ----- Rs.	Revenue Collected ----- Rs.	Arrears as at 31 December ----- Rs.	Estimated Revenue ----- Rs.	Revenue billed ----- Rs.	Revenue Collected ----- Rs.	Arrears as at 31 December -- -----Rs.
(i). Rates and Taxes	2,501,100	165,890	165,890	-	2,501,100	-	-	-
(ii). Rent	29,665,000	3,099,407	2,996,617	1,687,293	22,680,000	1,125,320	1,125,320	1,584,503
(iii). License Fees	23,699,200	10,359,585	9,280,683	1,419,294	34,289,000	10,583,029	5,574,694	7,309,271
(iv). Court Fine	13,753,500	10,592,041	8,515,941	2,076,100	14,030,500	8,650,550	4,440,050	4,210,500
(v). Stamp Fee	14,255,038	9,242,760	7,014,260	7,426,730	7,542,578	8,709,000	8,709,000	21,455,700
(vi). Other revenue	14,255,038	7,184,668	6,635,468	1,071,700	29,075,130	1,103,000	790,000	660,500
Total	<u>98,128,876</u>	<u>40,644,351</u>	<u>34,608,859</u>	<u>13,681,117</u>	<u>110,118,308</u>	<u>30,170,899</u>	<u>20,639,064</u>	<u>35,220,474</u>

2.2.2 Performance in Revenue Collection

Following are the observations regarding the revenue collection performance of the Sabha.

Audit Observation	Comments of the Sabha	Recommendation
License Fees		
In 07 hotels registered with the Tourism Board, accounts were not collected and license fees collected during the period of 1 year to 04 years.	legal actions are taken for institutions	Actions should be taken to recover the arrears.

3. Operational Review

3.1 Identified losses

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the F.R.104(4) inspection report issued on April 13, 2015 related to the accident of a Pradeshiya Sabha cab, although it was recommended to recover damages of Rs.2,367,534 from the chairman and Rs.789,178 from the driver, the loss was not recovered by the end of the year under	An appeal has been submitted by the former chairman of Dambulla Pradeshiya Sabha to recover the loss and an investigation will be conducted and It will be acted upon as per the decision.	Action should be taken according to the financial regulations inspection reports.

review. Due to the accident, an additional cost of Rs.2,474,868 was incurred, but necessary action had not been taken in this regard.

- (b) Although the Commissioner of Local Government has indicated that on September 09, 2022, an investigation under F.R. 104(4) need to be conducted again regarding the shortage goods of Rs.461,654 revealed in the board of survey conducted in the year 2016, the said investigation had not been carried out by January 13, 2023.
- That, two officers have asked for a survey and that survey has not been done so far and instructions have been sought from the Assistant Commissioner to recover the dues from the three retired officers.
- Financial regulations should be followed.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The building value of 12 community halls built by the Dambulla Pradeshiya Sabha, and the value of 04 lands had not been assessed and accounted for.	Related assets will be assessed and recorded	Assessed values should be accounted for.
(b) At the end of the year under review, the aggregate of 4 accounts receivable balances over 5 years was Rs.5,019,988.	The information about other incomes which were in arrears was not found and the Municipal council has been informed regarding the amount due from the Dambulla municipal council, and also the current account balance will be rectified promptly.	Accounts receivable balances should be collected.
(c) The ownership of 16 cemeteries and 05 lands used by the Sabha had not been taken over to the Sabha.	The Local Government Commissioner has informed the	Ownership should be taken over

Divisional Secretary by letter of the agreement to transfer the ownership of 16 cemeteries and 05 lands to the Pradeshiya Sabha.

- (d) While the motor grader of the Pradeshiya Sabha was in operation, a motor grader was rented from a private company and paid Rs.545,500 for 04 projects implemented by the Pradeshiya Sabha under the Apegama development program.
- The motor grader of the Sabha had been rented to an external party at that time, so another motor grader had to be rented.
- The machinery and equipment of the Sabha should be used for the construction of the Sabha.

3.3 Operational Inefficiencies

Audit Observation

Between 2015 and 2022, building development permits were issued to 396 applications but as few as 42 compliance certificates were issued during that period.

Comments of the Sabha

The files have been handed over to the Technical Officers to investigate the construction and that the applicants have been informed in writing

Compliance report should be issued.

3.4 Transactions of Contentious Nature

Audit Observation

The cab used by the chairman was repaired and used from March 05, 2022 after an accident but he had received a transport allowance of Rs.100,000 for the months of March and April 2022.

Comments of the Sabha

Ambathenna Chief Engineer had informed to spend 07 days and 11 days in a test run on two occasions, so the cab was driven the relevant time at a speed of 50 kilo meters per hour and in relation to that time, the Chairman has informed that the cab number PE-0390 has been used.

Action should be taken regarding the allowance as it is confirmed from the daily running charts that the vehicle was used for the Chairman's duties.

3.5 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
03 tractors totalling Rs.44,473,000 as shown in the financial statements were underutilized for a period of 01 to 04 years.	It has been said that due to driver vacancies, it has not been possible to use it and one tractor will be provided to the Kadugannava Urban Council.	Vehicles should be utilized.

3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
When comparing the approved staff and the actual staff of the Sabha, there were 06 vacancies related to 04 secondary level posts, 12 vacancies related to 08 primary level posts and 03 officers related to the post of health labourer were redundant.	Requests are made to fill the vacancies. That, 06 health labourers have been recruited on contract basis with the approval of the Governor.	Action should be taken to fill the vacancies

4. Accountability and Good Governance Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
According to the provisions of the sustainable development Act No. 19 of 2017, the Pradeshiya Sabha had not formally identified and implemented sustainable development goals.	That activities related to the objectives of developing libraries, providing health and safe water facilities (construction of sanitary toilets), and developing roads have been carried out.	Provisions of the Act should be followed.