

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dodangoda Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in net assets/equity, 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 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 accompanying financial statements give a true and fair view of the financial position of the Dodangoda Pradeshiya Sabha as at 31 December 2023, 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

My opinion is qualified 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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) the loss of Rs.46,381 and Rs.98,261 respectively on sale of a computer with a net book value of Rs.46,981 and utensils and equipment amounted Rs.103,656 during the year under review was not adjusted in the financial statements.	This amount will be released from deposits and taken as income.	Accounts should be prepared correctly.
(b) Although the capital grants received during the year under review were Rs.14,079,510, it was shown as Rs.100,421,017 under other comprehensive income in the statement of comprehensive income.	That the overall financial statements have not been affected.	Capital grants should be disclosed correctly in the statement of comprehensive income.

2 Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 19,483,543 as compared with excess of revenue over expenditure amounted to Rs. 23,401,881 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, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

	Source of Revenue	2023				2022			
		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 Tax	5,650,000	5,918,307	5,388,770	915,621	15,455,600	14,785,167	13,682,609	1,102,558
(ii)	Rent	1,468,200	1,440,600	1,440,350	37,800	2,735,600	2,193,940	2,156,390	37,550
(iii)	License Fees	1,550,000	1,628,800	1,630,750	-	500,300	318,850	318,500	-
(iv)	Other Revenue					129,300,078	211,451,934	148,159,403	63,292,531
		8,668,200	8,987,707	8,459,870	953,421	147,991,578	228,749,891	164,316,902	64,432,639

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

Audit Observation	Comment of the Sabha	Recommendation
<p>(a) Assessments and Taxes</p> <p>According to the assessment tax period analysis as at 31 December of the reviewed year, the deficit to be collected from 175 assessee holders from the period between 01 to 02 years was Rs.175,246, from 49 assessee holders from the period between 02 to 03 years was Rs.63,889, from 44 assessee holders from the period between 03 to 05 years was Rs. 61,242 and 65 assessee holders had a deficit of more than 05 years was Rs. 187,281 .</p>	Action is been taken to recovery.	Arrears of income should be collected as soon as possible
<p>(b) Other Income</p> <p>The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2023 were Rs.8,470,087 and stamp duty was Rs.82,076,795.</p>	That the amount to be charged will be collected promptly.	-do-

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Although the way of payment monthly rent was specified under condition number 03 of the lease agreement, the agreed amount of the monthly rent was not specified.	It will be corrected in the future.	Lease agreements must be properly drafted.

- (b) Although the management committee had approved to revise the leasehold of shops No. 12 and 13 in Dodangoda Public Mall after charging the transfer fees on 27 on June 2023, the transfer fees had not been charged and the agreement had not been made by the end of the year under review.
- If the shop transfer fees are not paid before 06.06.2024, steps will be taken to hand over the shop rooms to the new lessees.
- should be enter to agreement after charging the transfer fees.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a)) 10 months rent arrears amounted to Rs.25,000 of Shop No. 14 of Sapugahawatta Public Mall was not collected at the end of the year under review.	It will be recovered before the end of the year 2024.	Shop rent should be charged as per the agreement
(b) Hela Bojunhala built at a cost of Rs.4,954,698 had been idle since September 2023 and the arrears of rent of Rs.125,000 and electricity bills of Rs.32,000 owed by the previous lessee had not been collected at the end of the year under review.	It will be engage in effective work before 31.07.2024 legal proceedings are carried out.	-do-
(c) Although there were 05 hotels registered under the Sri Lanka Tourism Board under the jurisdiction of Dodangoda Pradeshiya sabha, only one resort had been identified as requiring license fees and the remaining 04 tourist hotels had not been surveyed to confirm their physical existence and collect the fees.	corrective action is taken.	Receivable income to the sabha should be collected.

3.3 Disputed Transactions

Audit Observation	Comment of the Sabha	Recommendation
Although a holiday resort had been running its business without obtaining a license for a long time, regardless of that, the sabha approved the plans for the newly constructed buildings of the resort in the year 2019 and the compliance certificate was also issued for the building in the year 2022.	steps will be taken to avoid such delays in the future.	Actions should be taken against institutions that do not comply with rules and regulations.

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Out of 143 lands owned by the sabha, 54 lands were not assessed and accounted	These activities will be completed during the preparation of the 2024 financial statements	Assets owned by the sabha should be assessed and accounted
(b) The tractor and bowser used by the sabha since 2017 had not been acquired to the name of the sabha.	That requests for acquisition have been submitted.	Assets owned by the sabha should be acquired.
(c) Although the motor grader idle since 2016 was assessed for disposal in May 2023 but it was not disposed till the end of the year under review.	It had been reported to the Comptroller General's office to complete these activities before 31.08.2024.	Non-performing assets should be disposed.

3.5 Weakness in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
When the preparation of the cost estimates related to the construction of the garbage yard warehouse in December 2023, the contractor had been overpaid by Rs. 59,929 due to not used the material prices schedule of the Western Province Chief Secretariat release on 13 June 2023.	Steps will be taken to avoid such delays in the future.	Estimates should be prepared according to the correct rate.