

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dompe Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of assets and liabilities as at 31 December 2023 and the statement of comprehensive income, statement of the 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 subsection 172 (1) of the Pradeshiya Sabha Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in 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 Dompe Pradeshiya Sabha as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard for Local Authorities.

1.2 Basis for Qualified Opinion

I expressed a qualified opinion on the financial statements 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 this 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 Standard 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 financial reporting process of the Pradeshiya Sabha.

As per Sub-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 to be prepared.

1.4 **Scope of Audit (Auditor's Responsibility in Auditing 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:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed 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.
- 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 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 the Pradeshiya Sabha 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 timeframes 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 **Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities.**

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a) In the calculation of Cash Flow from the operation activities as per Chapter 3.28 of the Standard, depreciation value of property, plants and equipment and the interest income had been deducted in excess of Rs.1,206,257 and Rs.6,413,232 respectively.	The actions will be taken to correct.	The cash flow statement should be prepared correctly as stated in the standard.

(b) A sum of Rs.15,000,000 received from the fixed deposits had not been adjusted in calculating the cash flow from the investment activities as per Chapter 3.29 of the Standard.	DO	DO
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1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
The depreciation value of the buildings amounting to Rs.51,439, and the net value of property, plant and equipment amounting to Rs.1,554,299 had been accounted in excess.	The actions will be taken to correct.	The accounting should be done correctly.

1.6.3 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
A difference of Rs.399,481 was observed in comparison of the depreciation value related to bridges, roads, culverts and library books with the Ledger Account as per the Note No.16 to the Financial Statements.	The actions will be taken to correct.	The mismatches should be identified and the corrections should be done.

1.7 Non-compliance

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

The instances of non-compliance with Laws, Rules and Regulations and Management Decisions are as given below

Reference to Laws, Rules and Regulations	Non-Compliance	Comment of the Pradeshiya Sabha	Recommendation
(a) Financial Regulation 760 of the Democratic Socialist Republic of Sri Lanka.	The actions had not been taken regarding the shortages of 14 items in 08 types of assets, and the misplacement of 07 library books worth Rs.47,562.	Further proceedings are in progress.	The proceedings should be done as per the Financial Regulations.

- (b) Order No. 08 on the Account Activities related to the Financial Administration of Pradeshiya Sabha. Although the financial statement for each financial year should be submitted to the Auditor General on or before 28 February of the following financial year, the financial statement of the year under review was submitted on 08 April 2024. The amended financial statements have been submitted on 08 April 2024. The proceedings should be done as per the orders.

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.45,239,814 as compared with the excess of revenue over expenditure amounted to Rs.76,087,748 in the preceding year.

2.2 Revenue Administration

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

As per the information presented by the Secretary, the particulars about the Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue related to the year under review and the previous year are given below.

Revenue Source	2023				2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	30,429,994	22,084,993	17,398,976	4,686,017	30,941,340	32,205,831	29,907,222	8,863,625
(ii) Rents	24,560,410	20,303,817	19,292,561	1,011,256	24,766,609	23,014,790	23,368,013	2,184,428
(iii) License Fees	1,416,500	31,376,730	31,376,730		1,093,000	1,046,094	1,046,094	
(iv) Other income	314,661,540	426,466,332	426,466,332		14,720,698	148,813,229	148,813,229	
Total	371,068,444	500,231,872	494,534,599	5,697,273	71,521,647	205,079,944	203,134,558	11,048,053

2.2.2 Performance in Collecting Revenue

The observation on the performance in collecting revenue of the Pradeshiya Sabha are as follows.

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
<p>(a) As the recoveries made within the year from the overdue rate and tax balance of Rs.8,863,625 as at 01 January 2023 was Rs.4,797,294, the percentage of recoveries from the overdue amount had been 54 percent, and the balance in the period from 5 years to 10 years had been Rs.982,961, and the balance in the period from 3 years to 5 years had been Rs.1,903,390.</p>	Agreed	The overdue rate balances should be collected.
<p>(b) As the recoveries made within the year from the overdue tender tax balance of Rs.1,765,707 included in the rental income as at 01 January 2023 amounted to a sum of Rs.200,792, the percentage of recoveries from the overdue amount had been 11 percent, and the overdue shop rent in the period from 1 to 3 years had been Rs.115,125.</p>	Do	The outstanding tender tax balances should be collected.

3. Operation Review

3.1 Idle or under-utilized Property, Plants and Equipment

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a) As the entire upper floor consisting of about 87 shops and the certain parts of the ground floor having about 73 shops in the two-story building of which each floor was about 6,380 square feet which had been built by the Urban Development Authority at a cost of Rs. 68 million and handed over to the Pradeshiya Sabha in the year 2020 to proceed the activities of the fair were not used by the traders and remained idle for 6 days except for the day of fair, the building had not been used as effective for the people and enabling the Pradeshiya Sabha to get income.	Since it was built only for a weekly fair, it is pointed out that it will be problematic to give the upper floors according to the market system.	The assets should be used effectively.
(b) Although the revalued amount of the building; that had been built at a cost of Rs.8,629,760 from the Pradeshiya Sabha fund and under the regional infrastructure development program in the year 2018 as each floor is 40.25 feet long and 19.75 feet wide and having the ground floor with 4 rooms and the upper floor with a meeting room, had been Rs.10,000,000, the building had been idle from the date of construction. Therefore, the said expenditure incurred had been an idle expense. Further, water and electricity had also not been obtained, and 3 aluminium doors and a door handle installed in the building had been removed by some group.	Further proceedings have already been done to obtain electricity and water, and the building has been given for a welfare society to use for the welfare activities of the general public.	It should be used for the intended task.
(c) The Plate Compactor Machine and the Water Bowser owned by the Pradeshiya Sabha remained inactive from the year 2023.	The Plate Compactor Machine has been given for the repair and the actions will be taken to obtain the mechanical engineering report for the water bowser.	Those should be repaired and used or disposed formally.

3.2. Assets Management

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a) As water of other lands had been directed through a drainage to the public land having the extent of 02 roods, 19.8 perches and valued Rs.200,000, and as there was no ditch to drain water, the land had become a swamp with a pit of Kohila leaves.	Since the land owners have not been settled down, further steps have not been taken.	The public land lot should be maintained properly.
(b) As per the Financial Statement and the Plan of the public land worth Rs.550,000, the extent was 03 roods and 36.4 perches. However, it had been reduced to 29.52 perches as per the deed of gift and the physical verification.	The deed will be perused and a physical examination will be done.	The safety of the land should be ensured.
(c) The unauthorized constructions on 03 lands owned by the Pradeshiya Sabha had not been removed.	The actions will be taken for removals.	The unauthorized constructions should be removed.
(d) 9 lands worth Rs.46,240,764 of which the total extent was 03 acres 02 roods and 18.10 perches had not been legally verified.	The deeds of declarations will be prepared.	The ownership should be confirmed.
(e) 03 lands had not been physically verified and assessed and included to the registers.	Once the availability is physically found, the actions will be taken to include in the register.	The lands owned by the Pradeshiya Sabha should be assessed and included in the registers.

3.3. Delays in Projects, functions or capital works

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
9 works with contract value of Rs.22,021,154 had not been completed or extended even if the contract period has been ended by 07 March 2024.	The penalty fees are collected after the receipt of payment reports.	The works should be completed within the agreed timeframe and the late fees should be charged for delays.