

## **Dehiovita Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Dehiovita Pradeshiya Sabha for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 and the income and expenditure account, and other explanatory information, including a summary of significant accounting policies, 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 Sabhas 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 Dehiovita Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices for Local Authorities.

#### **1.2 Basis for Qualified Opinion**

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 Generally Accepted Accounting Practices 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 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:

- 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 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**

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- (a) The Financial Statements presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.

- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by 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**

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) An amount of Rs. 38,860 paid to the creditors in the year 2023 had been accounted as an expenditure of the said year since the allocations had not been made in the year 2022.	Adjustments will be made from the final account 2024.	The account should be corrected.
(b) The machines repairing expenses amounting to Rs. 969,366 has been accounted twice.	- Do -	-Do -

## **1.7 Non-compliance**

### **Non-compliance with Laws, Rules and Regulations**

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Financial Regulation 571 (3) of the Democratic Socialist Republic of Sri Lanka.	91 Deposits amounting to Rs. 1,731,530 that exceeded 02 years had not been settled and 05 Deposits amounting to Rs. 248,500 that should be taken to the income had been remained in interest deposit account.	As per the financial regulations, a Pradeshiya Sabha cannot take all monies to the income after exceeding 02 years.	The proceedings should be made as per the financial regulations.
(b) The paragraph 4 (xiii) of the Circular 02/2010 of the guidelines on the local government reforms.	The properties of assessment tax that should be valued once in 05 years had not been valued in 15 years.	The actions will be taken by the Committee on Policies and Decision-Making Support to accept and implement the new assessment from the year 2024.	The proceedings should be made as per the Circular.

(c) The Circular 03/2020 dated 01 February 2021 of the Local Government Commissioner

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| (i)  | Paragraph 14       | The annual minimum bid amount for meat and fish shops had not been valued once in 03 years.  | The valuation reports for 07 properties have already been received.            | The proceedings should be made as per the Circular. |
| (ii) | Paragraphs 4 and 5 | Since the agreement had been made for 05 shops in new market complex of Dehiovita without conditions on the rents, an amount of Rs. 1,947,364 as surety deposits, outstanding rents and fines had not been able to be collected. | It has been informed to finish the payment of outstanding money by 30.06.2024. | The proceedings should be made as per the Circular. |

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements submitted, the income exceeding the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2023 was Rs. 15,726,381 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 8,639,872

### 2.2. Revenue Administration

#### 2.2.1 Estimated income, billed income, collected income and arrears of income

The particulars about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year are given below.

Income Source	2023				2022			
	Estimated income	Billed income	Collected income	Total deficit as at 31 December	Estimated income	Billed income	Collected income	Total deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,118,000	4,370,619	4,942,471	3,499,921	4,573,000	4,783,327	4,906,095	3,969,913
Rents	14,218,660	14,868,896	14,984,474	5,581,456	13,410,400	12,733,800	11,956,293	5,893,625
License Fees	1,017,200	1,184,111	1,146,111	-	505,200	435,548	463,548	-
Other income	<u>9,003,600</u>	<u>11,379,281</u>	<u>10,807,170</u>	<u>861,193</u>	<u>6,403,800</u>	<u>9,003,177</u>	<u>8,014,503</u>	<u>1,039,357</u>
	<u>28,357,460</u>	<u>31,802,907</u>	<u>31,880,226</u>	<u>9,942,570</u>	<u>24,892,400</u>	<u>26,955,852</u>	<u>25,340,439</u>	<u>10,902,895</u>

## 2.2.2 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) The matter of shop rents and fines amounting Rs. 94,281 to be received from 03 meat shops and a fish stall for the period from 1991 to 1997 had been referred to the Governor in order to be written off.	Agreed.	The outstanding incomes should be collected with no delay.
(b) Due to the inability of giving 06 properties on lease from the year 2021 to 2023, an estimated income of Rs. 5,945,873 had been lost.	Even if the bids were called, no bid was presented.	-Do-
(c) The outstanding assessment tax balance to be collected as at the end of the year under review was Rs. 1,848,514, and the said balance included a balance of Rs. 1,262,558 that exceeded 01 year.	The notices of prohibition were sent for the properties of which the assessment tax was not paid and the property prohibition program was implemented in January 2024.	The outstanding incomes should be collected with no delay.
(d) The recoverable balance that has exceeded 05 years from the outstanding acre tax balance of Rs. 1,650,445 as at the end of the year under review was an amount of Rs. 1,218,601.	The actions are being taken to settle the existing deficit immediately.	-Do-
(e) There were balances of Rs. 4,586,236 that exceeded 01 year among the shop rental outstanding balance amounting Rs. 5,339,706 as at the end of the year under review.	It has been informed to finish the payment of outstanding money by 30 June 2024.	-Do-
(f) The balance that exceed 01 year among the shop rental outstanding balance of Rs. 308,322 as at the end of the year under review was an amount of Rs. 258,622.	-Do-	-Do-.

### 3. Operating Review

#### 3.1 Management Deficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) An unsettled debit balance of Rs. 158,225 was being brought forward from the year 2018.	The actions are being taken to settle the balance.	The balance should be settled.
(b) As water in the well constructed for Deegalawatta water project was not suitable for drinking purpose, a sum of Rs. 687,231 payable in the month of August 2022 for the construction of the said well had been retained in the general deposit account.	It has been referred to the Committee on Policies and Decision-Making Support for taking decisions on the payments.	The balances of the general deposit accounts should be settled.
(c) The balance of Rs. 3,912,081 to be received as at 31 December 2023 included the balance existing from 01 to 03 years amounting to Rs. 225,719 and the balances older than 05 years amounting to Rs. 437,585.	The correct time analysis will be presented when the accounts 2024 are prepared.	The balances should be settled.

#### 3.2 Operations Deficiencies

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Even if a period of 06 years had passed after completing the construction of Madola Hela Bojun Shop constructed at a cost of Rs. 803,000, it remains unused to date.	The arrangements are being made to open the shop.	The assets should not be left unused.
(b) A sum of Rs. .691,752 from the stamp duty deposit balance of Rs. 802,200 to be paid as at the end date of the year under review was old ranging between the year 2015-2016.	The relevant balances will be verified and settled.	The actions should be taken to settle the balances.

### 3.3 Assets Management

	<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a)	The vibrate roller worth Rs. 587,284 owned by the Pradeshiya Sabha had remained unused for more than 06 months.	This remains unused as there is no demand for development activities and the repairing cost is high these days.	This should be repaired and used.
(b)	The compactor trailer worth Rs. 2,594,995 received as a donation in the year 2015 is remaining unused and being decayed in a vehicle park.	As the wastes cannot be sorted and collected to the compactor vehicle and due to the difficulty of transporting to solid waste centre, the said vehicle is not used.	The assets should not be left unused.
(c)	The ambulance worth Rs.3,000,000 had not been taken over.	A request has been made to the Director General of Health Services.	The actions should be taken to take over the vehicle.

### 3.4 Human Resource Management

	<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
	There were 26 vacancies in the approved cadre of 60 persons. 24 posts based on the service agreement and 09 persons as personally applicable to the holder of the post had been approved.	The requests have been made to fill the vacancies. As the approved cadre is not enough, the posts have been approved based on the service agreements and as personally applicable to the person who holds the post.	The approval for the employee vacancies should be obtained and the actions should be taken to fill the vacancies.