

Dambulla Pradeshiya Sabha - 2023

1. **Financial Statements**

1.1 **Qualified Opinion**

The audit of the financial statements of the Dambulla Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and 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 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 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 Dambulla Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices

1.2 **Basis for Qualified**

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 **Generally Accepted Accounting Practices**, 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 Scope of Audit (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 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 Sabha	Recommendation
(a) During the year under review, court fines income and arrears income of Rs.17,240,000 were over accounted in the financial statements.	It will be corrected in preparing the final account 2024,	Accounts should be corrected.

(b) Stamp duty receivable of Rs.1,397,000 identified in the year under review relating to the year 2021 was not accounted for.	It will be corrected in preparing the final account 2024,	Accounts should be corrected.
(c) During the year under review, Rs.112,500 due from a private institution on hire of motor grader was not accounted for.	-Do-	-Do-
(d) During the year under review, the cost of construction industry of toilet system in Inamaluwa building and creditors has been over accounted in the financial statements. Rs.1,005,844	-Do-	-Do-
(e) Due to the delimitation carried out in 2011, according to the report of the Assistant Commissioner of Local Government, the amount payable by the Dambulla Pradeshiya Sabha to the Dambulla Municipal Council was Rs.2,486,917, an amount of Rs.2,806,009 was erroneously accounted for, as receivables to the Pradeshiya Sabha from the Municipal Council.	-Do-	-Do-
(f) As per the financial statement of 06 tourist hotel in the year under review. Although the income to be billed was Rs.2,570,956 due to the accounting it as Ra.699,256 the billed income and arrears income were understated by Rs.1,871,700	-Do -	- Do -
(g) An income of Rs.53,684 received from 02 hotels in the year under review for the coming year had been considered and accounted as income of the year under review.	-Do-	-Do-
(h) An amount of Rs.56,000 payable for the gully service obtained from the Municipal council in December of the year under review, was not accounted for.	-Do-	-Do-

- (i) The interest income of Rs.65,437 received by the bank during the year under review was not accounted for. -Do- -Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There was a difference of Rs.37,984,363 when comparing the balances of 05 account subjects mentioned in the financial statements with the related documents and schedules as on the end of the year under review.	There is an error in the schedule, and action will be taken to correct the schedule.	Account balances should be corrected.

1.6.3 Unauthorized Transactions

Audit Observation	Comments of the Sabha	Recommendation
Without taking necessary action, in relation to the parties who have not collected the arrears of stamp duty of Rs.2,356,580 due for the year 2017 to 2020 stating that the period of receipt has been expired, without formal approval, it had been written off by Journal entry No. 63	It will be written off with proper approval.	After getting a formal 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 also unsettled during the year under review.	This account will be settled in the future	The balance should be identified and settled.

1.6.5 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of schedules relating to 05 asset items totaling Rs.13,793,291 and 03 liability balances of Rs.58,795,242 shown in the financial statements of the year under review, could not be satisfactorily verified.	The files will be looked into and corrected	Documents, schedules and files related to account balances should be prepared.

1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	104(3) and (4) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Regarding the breakage of the side glass of the compactor and the breakage of the right side door glass and the left side glass of a tractor, preliminary investigations and comprehensive investigation were not conducted and the damages and those responsible were not identified.	The investigations are being carried out.	It should be complied with Financial regulation.
(b)	Public Administration Circulars			
(i)	Circular No. 26/92 dated 19 August 1992	The State emblem was not painted on the body of 07 vehicles of the sabha.	The activities will be carried out in the future.	Circular instructions should be followed.

- (ii) Circular No. 30/2016 dated 29 December 2016. Since a period of 01 to 07 years, the fuel combustion test of 06 vehicles was not done. The activities will be carried out in the future. Circular instructions 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 2023 amounted to Rs. 49,949,089 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 15,101,567 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 of the Sabha 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	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.
Rent	22,265,000	5,167,977	4,591,342	2,161,139	29,665,000	3,099,407	2,996,617	1,584,503
License Fees	18,102,500	13,723,014	14,478,258	680,450	23,699,200	10,359,585	9,280,683	1,435,694
Other revenue	34,845,248	114,722,678	138,816,474	33,482,920	42,263,576	27,019,469	22,165,669	11,509,800
Total	<u>75,212,748</u>	<u>133,613,669</u>	<u>157,886,074</u>	<u>36,324,509</u>	<u>95,627,776</u>	<u>40,478,461</u>	<u>34,442,969</u>	<u>14,529,997</u>

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

(a)	Audit Observation	Comments of the Sabha	Recommendation
	License fees		
(i)	As on December 31 of the year under review, there was a trade license fee arrears of Rs.341,150, of which Rs.241,850 was related to previous years.	It will be looked into and acted upon.	Arrangements should be made to recover the arrears of income.
(ii)	From a private hotel, Rs.277,512 was not collected as license fee for the previous year.	The relevant amount will be recovered.	Arrangements should be made to recover the income.

(b) Other Revenue

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| (i) Without physical inspection of the usage of 246 documented tube wells, although billing was done at Rs.200 per annum, rent was not collected and as on the last date of the year under review the outstanding revenue was Rs.870,100. | A report will be prepared and billing will be stopped and write off. | Actions should be taken to write off or recover immediately and with formal approval |
| (ii) As on December 31 of the year under review, the arrears of garbage tax was Rs.860,500, of which an income of Rs.292,500 was arrears due from 08 institutions that had stopped providing garbage collection services. | The arrears will be recovered. | Arrangements should be made to recover the arrears of income. |
| (iii) From the year 2008 to the year 2013, the tender arrears revenue of Rs.1,029,121 to be collected from the rental of car parks to external parties was not collected. | Further action is being taken. | Arrangements should be made to recover the arrears of income. |

(c) Court fines and Stamp duty

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| Stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities as on December 31 of the year under review was Rs.8,064,300. | Schedules will be submitted and fees are collected. | Arrangements should be made to collect the arrears. |
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3. Operational Review

3.1 Identified Losses

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| (a) Although the committee had been appointed to conduct an investigation under M.R.104(4), regarding the commodity deficiency of Rs.461,654 revealed according to the board of survey conducted in the year 2016, the related loss had not been recovered by the end of the year under review. | That a new F.R. investigation is being conducted. | It should be complied with financial regulation. |
| (b) According to the orders of the F.R.104(4) investigation report issued on May 18, 2021 in relation to the accident of a cab on April 13, 2015, the amount of Rs.2,367,534 to be recovered from the chairman had not been collected. | It has been agreed to pay in instalments. | Actions should be taken to recover. |

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
An amount of Rs.1,000,000 was deposited on February 10, 2014 to repair the damage caused to the Pradeshiya Sabha roads, by fixing pipelines of the Visal Dambulla Water Project but, It had been kept in the deposit account for 9 years without carrying out the relevant reforms.	Since the project is still being implemented, it will be looked into in the future.	So far, the damage to the roads should be assessed and if there is any money to be collected, arrangements should be made to recover it.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) In the year under review, there was a deficit of Rs.85,500 due to non-renewal of the license fees of 19 organizations that were required to obtain environmental licenses.	Further actions are being taken..	Arrangements should be made to issue licenses.
(b) Out of 172 institutions, environmental protection permits were not obtained in the year under review, resulting in a loss of revenue of Rs.900,000 annually.	The environmental permits are issued only for authorized activities.	Licenses should be issued and revenue collected.
(c) Pursuant to Section 30 of the Urban Development Authority Act No. 41 of 1978 published in the Gazette of the Democratic Socialist Republic of Sri Lanka No. 54/2235 dated 08 July 2021, although the validity of 24 approved development permits had expired but the construction had not been completed, the validity period of those permits had not been extended.	That the relevant parties have been informed to extend development permits or obtain compliance certificates.	Arrangements should be made to extend development permits or issue compliance certificates if construction is completed.

3.4 Transactions of Contentious Nature

Audit Observation	Comments of the Sabha	Recommendation
(a) Although allowances could be obtained in relation to the planning committees which were held after duty hours, but the planning committees were held during duty hours and 05 officers were paid allowance of	The Committee is held after office hours, as the files submitted to the Committee have been previously studied by the	As the fingerprint machine does not confirm the arrival and departure, the relevant money

	Rs.82,500 on 15 occasions.	concerned officers.	should be recovered.
(b)	While the council had tractors, a tractor had been procured from a private firm on January 17 of the year under review and paid Rs.37,500 for paving tar in the Janaka Minipura road.	The fact that tractors were procured from an external agency due to non-availability of drivers for tractors.	The resources of the organization should be fully utilized and should be handled with minimum efficiency.

3.5 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of 72 cemeteries used by the Pradeshiya Sabha, 69 lands where community halls are located, 21 playgrounds, the land where the office complex is located and the ownership of a cab had not been taken over.	The acquisition activities are being carried out.	Assets should be taken over.

3.6 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
Idle or underutilized Assets 05 units of assets totalling Rs.8,560,318 as on the end of the year under review and one tractor whose value has not been identified, remained idle and underutilized for a period of 02 to 16 years.	Action will be taken to utilize the assets and the utilization has become problematic due to the lack of drivers for the vehicles.	Assets should be repaired and utilize and non-repairable assets should be disposed of

3.7 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Comparing the approved staff and the actual staff of the Sabha, there were 24 vacancies of 11 posts and an excess of two workers related to the post of Health Worker.	Due to the non-arrival of the officers who should have been transferred, there has been a shortage of employees.	Vacancies should be filled.
(b) 09 employees working in the positions of health, road workers, tube well technician, pump operator and watchman of the	Due to vacancies in the posts, officers from other services have to be used.	The duties related to the position should be fulfilled.

Pradeshiya Sabha were employed in the duties of office assistant, library assistant, driver and management service officer, which are not related to their permanent position.

4. Accountability and Good Governance

4.1 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 identified and implemented sustainable development objectives.	Action will be taken in the future.	It should be complied with the provisions of the Act.