

Delft Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Delft Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement 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 the 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 Delft Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2. Basis for Qualified Opinion

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 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 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 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
The value of the nameplates installed at a cost of Rs.4,988,600 and the burner constructed at a cost of Rs.334,975 had not been capitalized during the year under review.	Action will be taken to disclose this in the final accounts for the year 2025.	Accounting must be done correctly.

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 2024 amounted to Rs.2,654,512 as compared with the excess of revenue over recurrent expenditure amounted to Rs.1,443,060 in the preceding year.

2.2 Revenue Administration

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

Information 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 Income	Revenue Estimated	Billed Revenue	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	-	192,365	8,350	184,015	-	324,115	131,750	192,365
Rent	2,860,000	3,618,900	3,526,700	92,200	2,617,421	2,641,871	2,549,671	92,200
License Fees	252,500	273,050	273,050	-	366,774	206,424	206,424	-
Other Revenue	4,382,000	4,739,666	4,739,666	-	5,533,570	5,060,473	5,033,973	26,500
Total	<u>7,494,500</u>	<u>8,823,981</u>	<u>8,547,766</u>	<u>276,215</u>	<u>8,517,765</u>	<u>8,232,883</u>	<u>7,921,818</u>	<u>311,065</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
The receivable outstanding tractor fees of Rs.184,015 to Sabha had not been collected.	Notices have been issued to pay the arrears.	Steps should be taken to recover arrears of revenue without delay.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The balance of Rs.7,393,177 in fixed deposits during the year under review had been deposited with the bank for the purpose of earning interest income, without being utilized in development activities related to public utility services as specified under Section 108, Chapter IV of the Pradeshiya Sabha Act No. 15 of 1987.	Since it is a Sabha with minimal income, it has been deposited in fixed deposits.	Steps should be taken to develop public utility services in accordance with the provisions of the Act.
(b)	No action had been taken to obtain the Drinking Water Quality Certificate for 849,333 liters of drinking water distributed in the year under review.	Steps are being taken to obtain a drinking water quality certificate.	Steps should be taken to obtain the relevant quality certificate before distributing drinking water.

3.2 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	By the end of the year under review, steps had not been taken to acquire the ownership of 53 public wells and 11 motor vehicles used by the Sabha.	Steps are being taken to acquire the ownership.	The process of acquiring ownership of assets should be expedited.
(b)	Sports equipment purchased for Rs.4,475,500 through the Regional Development Assistance Project in the year 2023 remained unused.	Steps will be taken to use it in the future.	Action should be taken to ensure that all assets are fully utilized.
(c)	Steps had not been taken to repair and reuse the Sabha's 4 vehicles, motorcycle and two-wheeled tractor for a period exceeding 3 to 5 years.	It was not repaired due to lack of sufficient funds.	Vehicles should be repaired and made usable.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
Due to the fact that there were variations from 8 percent to 23 percent in 03 revenue items, from 23 percent to 65 percent in 04 expenditure items when comparing the estimated revenue and expenditure with the actual revenue and expenditure according to the budget prepared for the year under review, the budget had not been used as an effective management control tool.	Steps will be taken to prepare the budget effectively in the future.	The budget should be carefully prepared by identifying needs and using it as an effective management control tool.