

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 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, 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 provisions in Sub-Section 10 (1) of the National Audit Act No.19 of 2018, Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 2024, 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 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-compliance with reference to relevant standard	Comment of the Sabha	Recommendation
(a) According to paragraph 3.6 of Section 3 of the Standard, all item in Comprehensive Income Statement, property, plant and equipment in the Statement of Assets and Liabilities as well as capital expenditure grant had been stated the values of year 2022 instead of the previous year's values. Further different value had been shown in the accumulated surplus in the previous year Statement of Assets and Liabilities and prior year information had not been disclosed in the Cash Flow Statement.	Action will be taken to correct this in the preparation of financial statements for the year 2025.	Financial statements should be prepared in accordance with the Public Sector Accounting Standards for Local Authorities
(b) According to paragraph 3.28 of Section 3 of the Standard, when calculating the cash flow from operating activities in the Cash Flow Statement, instead of adjusting the interest income for the year under review of Rs. 4,995,850 to the surplus, Rs. 4,417,780 had been adjusted as investment income.	the interest received has been credited.	The Cash flow statement should be prepared in accordance with the Public Sector Accounting Standards for Local Authorities.
(c) Although the Local Government Department (WP) letter No. LGD/10 A/4/N.G/2019 dated 22 January 2021 had instructed to used separate column to disclose reserves and allocations. However, without doing accordingly, the balance of reserves and allocations amounting to Rs.347,039,036 as at 31 December 2024 had been adjusted to the opening balance of the accumulated surplus .	The financial statements will be prepared correctly in the year 2025.	The referred letter should be followed.

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 2024 amounted to Rs. 32,826,157 as compared with excess of revenue over expenditure amounted to Rs. 19,483,543 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.

2024					2023				
Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates and Tax	7,330,000	7,508,263	7,481,783	923,626	5,650,000	5,918,307	5,388,770	915,621	
(ii) Rent	2,118,200	2,613,550	2,605,600	45,750	1,468,200	1,440,600	1,440,350	37,800	
(iii) License Fees	300,000	299,400	299,400	-	1,550,000	1,628,800	1,630,750	-	
(iv) Other Revenue	150,000	57,300	57,300	-	-	-	-	-	
	9,898,200	10,478,513	10,444,083	969,376	8,668,200	8,987,707	8,459,870	953,421	

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
(a) Rates	According to the rates time analysis, the arrears to be collected from 827 rates holders from the period one years was Rs. 445,269, 132 rates holders from the period of two years was Rs183,062, 130 rates holders from the period between 03 to 05 years was Rs. 156,854 and 64 rates holders had arrears of more than 05 years was Rs. 98,118.	Notices have been issued for the payment of arrears.	Arrears of income should be collected as soon as possible.
(b) License Fees	Although there were 03 hotels registered under the Sri Lanka Tourism Board under the jurisdiction of the Pradeshiya Sabha, license fees had been collected from only one hotel.	The legal actions taken had been nullified by the court, and that further action regarding the matter is currently being pursued.	-Do-

(C) **Court Fines and Stamp Duty**

The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2024 were Rs. 12,500,000 and stamp duty was Rs. 92,922,758. Schedules will be prepared and steps will be taken to collect revenue. -Do-

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)(i)	The case filed on 14 March 2023 against Glenrose Holiday Resort registered under the Sri Lanka Tourism Board for evading payment of license fees to the sabha had been nullified in 2024 due to procedural defects. Further the sabha had not obtained proper legal guidance on how to take lawful action against the institution even during the year under review.	A request has been made to the Assistant Commissioner of Local Government.	Action should be taken on the instructions of the Commissioner of Local Government.
(ii)	Although the Glenrose Holiday Resort had been running its business without a license for a long period, disregarding that fact, the sabha approved the building plans for new constructions made within the premises in 2019 and issued a compliance certificate in 2022. However, it had not been acted in accordance with Financial Regulation 104 regarding responsible officers.	The staff has been informed to prevent such a situation from occurring in the future.	Action should be taken in accordance with the referred Financial Regulation and the losses should be recovered.

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| (b) | Action had not been taken to identify, value, and record 49 plots of land that value and extent had not been precisely determined. | Such shortcomings will be avoided in the future. | Values should be assessed and included in the accounts. |
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3.2 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
Shop rooms No. 12 and 13 in the Dodangoda Public Shopping Complex had remained idle without being rented since March of the year under review.	Procurement was delayed due to the delay in the assessment.	Efficient efforts should be taken to lease out shop rooms and collect the revenue.

3.3 Idle or underutilized property, plant and equipment

Audit Observation	Comment of the Sabha	Recommendation
Although the motor grader idle since 2016 was assessed for disposal in May 2023, it had not been disposed as at end of the year under review.	Action will be taken to complete the relevant work in the year 2025.	Action should be taken to dispose of idle or underutilized assets.

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Rs. 60,000 had been spent on the survey of the public land measuring 31.26 perches in Lomantwatte and although the survey report dated 14 July 2024 indicated that there were 02 unauthorized constructions in Plot No. 14 of Plot No. 1697 and Plot No. 22 of Plot No. 1697 A, the sabha had not taken any Legal action regarding unauthorized occupation.	First notice had issued to remove the unauthorized occupation.	Legal action should be taken regarding the unauthorized occupants and the property owned by the council should be protected.
(b) The ownership of the premises where the Thebuwana Community Hall and Public Library, the Nebada Public Trade Building	That the request has been forwarded to the Regional Coordination	Steps should be taken to take over the ownership of the council.

and Public Library, the Bombuwala Sports Committee and steps Hall, the Public Library and the will be taken to expedite Crematorium, which are maintained and the process. operated by the sabha had not been taken over by the sabha.

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| (c) | Although requests were made to the Divisional Secretary on 03 August 2023 to obtain transfer orders to take over 53 lands in the name of the sabha, no action had been taken in this regard in the year under review. | Steps will be taken to rectify. | -Do- |
| (d) | Dodangoda divisional Secretariat office had temporarily handed over a tractor and a bowser to the Pradeshiya Sabha through an agreement dated 07 March 2019. As per the agreement, the Sabha had only carried out maintenance and operational activities and even after 04 years no steps had been taken to return it or obtain its legal ownership to the Sabha. | A request has been made to the Dodangoda Divisional Secretary. | Action should be taken to return it or to take over its legal ownership to the sabha. |
| (e) | Lot No. 02 of Katukurudugalpotha land, G.P.A.166, measuring 03 acres and 26 perches, in the West Grama Niladhari Division of No. 808, which was transferred to the Dodangoda Pradeshiya Sabha as a cemetery by a transfer order dated 09 April 1970, 02 parties had constructed permanent houses and were also carrying out pepper cultivation in an area of about one acre since 10 years and no steps had been taken to settle it and take possession of it by the sabha. as at 31 December 2024. | Steps would be taken for the settlement. | Legal action should be taken against the unauthorized occupants and the property owned by the Council should be protected. |

- (f) Although an advance of Rs. 2,501,500 was paid to the Divisional Secretary for the acquisition of 10 plots of land in the year 2021, the land acquisition had not been completed by the end of the year under review.
- The land acquisition has not been completed.
- The land acquisition should be expedited.

4. Accounting and Good Governance

Annual Action Plan

Audit Observation	Comment of the Sabha	Recommendation
Although Rs.300,000, Rs.750,000, Rs.4,000,000 and Rs.7,500,000 were allocated for the projects of construction of security fences and gates for public lands and cemeteries, legalization of public lands, road repair and maintenance and construction of the roof of Sapugahawatta Public Market respectively, the roof of the Public Market had not been repaired by the end of the year under review and only Rs.133,925, Rs.2,104,983 and Rs.185,000 were spent on other projects respectively indicating that sufficient attention had not been paid to the implementation of the tasks included in the action plan.	The project could not be carried out due to the delay in submitting the report of the National Buildings and Research Institute.	Actions should be taken according to the action plan.