

Dehiowita Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dehiowita Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Cash Flow Statement, Statement of changes in equity 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, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Dehiowita 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 practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the financial statement 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 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.

- 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.
- The financial statements presented includes all the recommendations made by me in the previous year of this report 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 Council	Recommendation
(a) The Non-Current Assets and Contribution from Revenue to Capital Outlay Account understated by Rs. 7,692,703 due to the fact that 03 constructions completed during the year under review were not capitalized.	That work will be done to account for the final account in 2025.	Capital expenditure must be accounted for correctly.
(b) The Non-Current Assets and Contribution from Revenue to Capital Outlay Account was overstated by the value of the vibrating roller sold at auction on 09th of April 2021, which was Rs. 587,284, and had not been removed from the asset accounts.	That step will be taken to remove fixed assets the register.	Steps should be taken to remove the cost of asset sales from the accounts.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to the fact that the renewal notices relating to fixed deposits worth Rs. 52,279,089 held during the year under review were not submitted for audit, it was not possible to verify whether the annual interest income of Rs. 2,099,821 was correct.	A fixed deposit register will be maintained from 1 st of May 2025.	Fixed deposit renewal notices must be submitted and the interest must be confirmed.

1.7 Non- Compliances

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
1988 Pradeshiya Sabha (Finance and Administration) 218 Rule	A survey of the lands and buildings owned by the sabha had not been conducted after 2021.	The survey work will be carried out before the end of 2025.	Must act according to the rules.

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. 33,056,556 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 15,726,381 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the Council	Recommendation
(a) A current account owned by the sabha had been inactive for about 13 years. Although the balance of the account at the end of the year under review as per the financial statements was Rs. 43,088, as per the balance confirmation letters, the balance was Rs. 19,112, a difference of Rs. 23,976.	A committee will be appointed to find a solution.	The reasons for the imbalance in the account balance should be investigated and resolved promptly.
(b) Although fixed deposits should be deposited in the bank offering the highest interest rate by quoting quotes from at least 03 state banks, there was a risk of losing the high interest rate that could have been earned by having 13 fixed deposits with a total value of Rs. 30,252,030 automatically renewed (Auto Renew).	Quotation will be called and deposit the money in the bank that offers the highest interest rate.	The proceeds should be called and deposited in the bank that offers the highest interest rate.

2.3 Revenue Administration

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

According to the information submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Source of income	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	7,425,590	8,066,612	8,119,994	2,890,990	4,118,000	4,370,619	4,942,471	3,499,921
Rent	14,746,150	17,113,027	18,206,236	4,526,975	14,218,660	14,868,896	14,984,474	5,581,456
License fees	1,070,200	1,353,833	1,353,833	-	1,017,200	1,184,111	1,146,111	-
Other Revenue	<u>8,314,600</u>	<u>10,990,332</u>	<u>8,679,539</u>	<u>2,310,793</u>	<u>9,003,600</u>	<u>11,379,281</u>	<u>10,807,170</u>	<u>861,193</u>
	<u>31,556,540</u>	<u>37,523,804</u>	<u>36,359,602</u>	<u>9,728,758</u>	<u>28,357,460</u>	<u>31,802,907</u>	<u>31,880,226</u>	<u>9,942,570</u>

2.3.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Council	Recommendation
(a) Rs. 1,077,879 of the outstanding assessment tax balance that was due at the end of the year under review had not been collected by May 2025.	A mobile program is being implemented to collect arrears of revenue.	Action should be taken to collect the outstanding revenue.
(b) Of the arrears of acreage tax balance should collect at the end of the year under review, Rs. 1,283,436 had not been collected by May 2025. Within that balance, there was also a balance of Rs. 1,068,576 that was older than 10 years.	That the matter will be resolved by going to the field 3 days a week and obtaining approval for the units to be write off.	Steps should be taken to settle arrears of acreage taxes.
(c) Rs. 2,745,979 in arrears of fish stall rents more than 03 years had not been recovered during the year under review.	Letters have been sent to the Honorable Governor to obtain approval for the write-off of arrears.	Steps should be taken to recover outstanding rent.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Rs. 802,100, which was more than 10 years old and was held in the stamp duty deposit account, had not been settled.	Action will be taken to resolve the matter.	Action must be taken to resolve the matter.
(b) The value of the old sabha building and the value of the water bowser owned by the sabha had not been assessed and accounted.	That work will be done to account for it in the year 2025.	Assets must be valued and accounted.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) No income had been received during the year under review from the rubber land owned by the sabha, measuring 179 perches, valued at Rs. 11,850,000.	Approval will be obtained to reduce the tax amount and call for tenders.	Efforts should be made to generate income from the assets owned by the sabha.
(b) According to the survey report of the year 2021, steps had not been taken to takeover 03 lands owned by the sabha totaling 570 perches.	Action will be take over in the future.	Steps should be taken to takeover the referred lands.

3.3 Contract Administration

Audit Observation	Comments of the Council	Recommendation
During the on-site inspection, it was observed that Amano sheets removed from another location had been installed for the roof of the Madola Hela Bojunhala Construction (Phase I) Industry. Despite this, Rs. 112,500 had been paid for the supply and installation of Amano GI sheets. Also, the GI Box Bar worth Rs. 41,000 that had been installed was still corroded and decaying as of the audit date of 22 nd August 2024. Furthermore, Rs. 12,000 had been paid for GI pipes that were installed not in accordance with the specifications of this building and Rs. 6,000 had been paid for work that was not completed.	That the contractor will take steps to have it completed.	The work must be completed in accordance with the prescribed specifications, a formal investigation must be conducted into the irregularities that have occurred, and any overpayments must be recovered.