

Deraniyagala Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Deraniyagala Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial operations, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 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 financial statements give a true and fair view of the financial position of the Deraniyagala Pradeshiya Sabha as at 31 December 2022, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Principles 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 of the Sabha.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess 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.
- An understanding of internal control relevant to the audit was obtained 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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 presented by the Pradeshiya Sabha are 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 -----	Comment of the Sabha -----	Recommendation -----
(a) The value of 05 liquid spraying machines, one hammer machine, one chain saw and a braler machine valued at Rs.800,000 had not been brought to accounts.	Agreed. Action will be taken to brought it to accounts in the year 2023.	Should be brought to accounts accurately.
(b) Key money amounted to Rs.22,080,000 received for 20 stalls which were expected to construct but the tenders not presented , was being brought forwarded as receivable from the year 2014.	Agreed. Action will be taken to brought it to accounts in the year 2023	Should be brought to accounts accurately.
(c) Key money balance amounting to Rs.1,728,000 receivable for 4 weekly fair stalls which were rented out for monthly rental was being brought forwarded.	Agreed. Action will be taken to brought it to accounts in the year 2023	Should be brought to accounts accurately

1.6.2 Un reconciled Control Accounts

Audit Observation	Comment of the Sabha	Recommendation
A difference of Rs.4,024,127 was existed by reconciling the balances existed in 03 items of accounts as at 31 December in the year under review according to the statement of financial position, with the balances existed as at that date in the relevant subsidiary documents.	Agreed. Action will be taken to adjust those balances which has been existed from a long period, after checking the documents .	The balances in the financial statements could be reconciled with the relevant subsidiary registers.

1.6.3 Lack of Documentary Evidence for Audit.

Audit Observation	Comment of the Sabha	Recommendation
The schedules required for the confirmation of Rs.7,261,856 of office and library equipment were not presented.	Agreed. Those schedules will be presented with the accounts 2023.	The relevant schedules should be presented.

1.6.4 Transactions without Adequate Authority

Audit Observation	Comment of the Sabha	Recommendation
(a) A shortage of goods amounting to Rs.245,025 had been written off by without looking into the ability of recovery from the responsible persons and without proper approval.	Agreed	Relevant shortages should be charged from responsible officers.
(b) Even though no any legal provisions for the granting of loan facilities from the Sabha fund on pay back basis to peoples representatives, festival advance amounting to Rs.200,000 had granted for 10 peoples representatives in the year 2022 and recovered as installments.	Agreed.The approval of the General Council has received.The same money had recovered in the year 2022. Action will be taken as per the Establishments Code in the future.	Action should be taken according to the relevant laws and rules.

1.7 Non-compliances

Non-compliances with Laws,Rules ,Regulations and Management Decisions

Instances of non-compliances with Laws,Rules ,Regulations and Management Decisions are given below.

Reference to laws,rules and regulations	Non-compliance	Comments of the Council	Recommendation
Financial Regulations of Democratic Socialist Republic of Sri Lanka			
(a) FR 571	Expired 19 deposits amounting to Rs.345,087 had not been disposed	Agreed	Action should be taken according to the Financial Regulations.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 5,805,812 as at 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.5,590,670

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Out standing Revenue

According to the information presented, the information on estimated revenue, billed revenue, collected revenue and revenue in arrears relevant to the year under review and the preceding year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs.
Rates and Taxes	8,223,845	9,169,126	8,665,439	2,421,200	8,217,845	8,531,487	8,212,571	2,281,894
Rents		8,152,080	8,281,477	63,684	7,688,150	5,224,907	4,543,865	783,296
	7,246,849							
License Fees	790,100	1,264,476	1,305,476	9,100	790,100	907,152	936,652	38,100
other Income	<u>2,553,500</u>	<u>5,007,633</u>	<u>4,856,840</u>	<u>711,166</u>	<u>2,585,500</u>	<u>3,578,661</u>	<u>3,587,847</u>	<u>631,824</u>
Total	<u>18,814,294</u>	<u>23,593,315</u>	<u>23,109,232</u>	<u>3,205,150</u>	<u>19,281,595</u>	<u>18,242,207</u>	<u>17,280,935</u>	<u>3,735,114</u>

2.2.2 Performance on Collecting Revenue

Audit Observation

A sum of Rs.910,041 was due from the items of revenue such as rates and acre taxes as at 31 December 2022. That value included a balance of Rs.255,489 over due between 01 year to 05 years and another balance of Rs.319,094 over due for more than 05 years

Comment of the Sabha

Agreed

Recommendation

Arrears in revenue should be recovered immediately.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Government aids balance receivable amounted to Rs.357,869 more than year 2015, had not been settled.	Agreed	The balances receivable should be recovered immediately.
(b)	Within the Industrial creditors balance amounted to Rs.52,596,720 at the end of the year under review , balances amounting to Rs.27,966,021 between 01 year to 05 years , balances amounting toRs.24,299,000 more than 5 years were existed.	do	Creditors balances should be settled.

3.2 Operating Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	A committee for control for the unauthorized constructions had not been established as per the Paragraph 1.3 of the Circular No.03/2010 of the Code of Local Authority Rehabilitation Circular ,As such, necessary actions had not been taken against the unauthorized constructions in terms of Section 21 of the Urban Development Authority Act. Instead of identifying unauthorized constructions by carrying out field tests, orders had been issued on the complaints received. A follow up in this connection also not conducted.	Agreed.Action will be taken to carry out field tests and follow up actions in the future.	Action should be taken to avoid un authorized constructions.
(b)	A sum of Rs.24,299,000 of key money which had been charged from 29 tender holders in the years 2014 and 2015 for the construction of the stalls in bus stand, had not been utilized for the relevant activity even as at the end of the year under review and the same money had been utilized for the other task by a supplementary estimate in the year 2014.	Agreed.The same money charged in the year 2014 , was incurred for industries by a supplementary estimate.	Key money should be utilized for the relevant task.

3.3 Human Resource management

Audit Observation	Comment of the Sabha	Recommendation
(a) There were 27 vacancies and 05 excess in the approved carder which is consists of 59 . Employees had been recruited for the same vacancies on service agreements and casual basis.	Agreed	Vacancies should be filled as per the requirements and excess should be attached effectively.
(b) Pre-school teacher has been appointed on the service agreement from 01 January 2018 in accordance with the instructions of the circular of the Commissioner of Local Authority, excess to the approved post and a sum of Rs.540,000 had been paid from that date to December 2022.	do	Action should be taken in accordance with the instructions of the Circulars.
(c) A loan balance amounting to Rs.416,699 recoverable from 09 officers which had been passed 01 year to 29 years period, had not been recovered even at the end of the year under review.	do	Loan balances in arrears should be recovered immediately.