

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Dodangoda Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of financial position as at 31 December 2022, Comprehensive Income Statement, Statement of changes in net equity, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the National Audit Act No 19 of 2018. My comments and observations which I consider should be report to parliament appear in 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standard for Local Authorities.

**1.2 Basis for Qualified Opinion**

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 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 Non-compliances

### Non-compliance with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) In the Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 134(1)	The Pradeshiya Sabha had not identified and declared new developed areas.	Sabha approval has been given for the expansion of assessment zones.	New assessment areas should be identified and assessment income should be increased.
(ii) Section 158(a).	The property was not prohibited as a last step regarding the arrears due from 618 assesses owners for more than 05 years.	02 inspection permits have been issued to the Revenue Inspectors to initiate property prohibition proceedings.	Action should be taken accordance with Pradeshiya Sabha Ordinance.
(b) Public Finance Circular No. 02/2015 dated 10 July 2015	The tractor, which had been disposed from operation since the year 2020, had not been repaired or disposed.	The repairs will be made in the near future.	Action should be taken accordance with Public Finance Circular.

## 2. Financial Review

### 2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs. 23,401,881 as compared with excess of revenue over recurrent expenditure amounted to Rs. 17,750,137 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 Sabha, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows

Source of Revenue	2022				2021			
	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)
(i) Rates and Tax	15,455,600	14,785,167	13,682,609	1,102,558	7,135,000	6,837,188	8,111,823	1,436,640
(ii) Rent	2,735,600	2,193,940	2,156,390	37,550	1,484,400	1,460,400	1,181,550	164,200
(iii) License Fees	500,300	318,850	318,500	-	275,000	207,250	207,250	-
(iv) Other Revenue	129,300,078	211,451,934	148,159,403	63,292,531	51,718,000	50,656,736	9,011,511	74,621,389
	----- 147,991,578 =====	----- 228,749,891 =====	----- 164,316,902 =====	----- 64,432,639 =====	----- 60,612,400 =====	----- 59,161,574 =====	----- 18,512,134 =====	----- 76,222,229 =====

## 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) At the end of the year under review, the total assessment deficit was Rs.1,082,008, the deficit due from the period between 01 to 03 years was Rs.483,781, from the period between 03 to 05 years was Rs.278,866, and the deficit was more than 05 years was Rs.319,362.	Agreed, the action is been taken to collect revenue by prohibiting of property.	Arrears of income should be collected as soon as possible.
(b) The court fines and Stamp fees The Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2022 were Rs.3,470,087 and stamp duty was Rs.58,031,225.	The schedules related to the remaining arrears will be prepared during the remaining period,	Arrears of court fines and stamp duty should be collected as soon as possible.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The value of 54 plots of land belonging to the Sabha had not been assessed and accounted.	The value of the property will be assessed and accounted.	The value of the property should be assessed and accounted.
(b) In the series of instructions of the Department of Local Government for the establishment and maintenance of Community Boards, according to Article 01, the establishment and maintenance of Community Boards and providing all kinds of support to their activities is the primary	In this regard, the Community Development Officer will be informed and action will be done to establish Community Boards in the future.	The action should be taken to establish community boards.

responsibility of every local government institution. However only 21 out of 45 Grama Seva Divisions had formed Community Boards.

### 3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) The ownership of 28 cemeteries had not been transferred to the Sabha at the end of the year under review.	This matter has been referred to the Dodangoda Divisional Secretary.	Assets owned by the council should be acquired.
(b) According to Section 10 of the Ordinance No. 57 of 1946 on Public Cemeteries and Private Cemeteries, fence boundaries were to be prepared for the protection of cemeteries, however fence boundaries were prepared only in 02 cemeteries owned by the Sabha.	Since it will cost a lot of expenditure, it is expected to be acquired and completed after confirming the ownership.	The fenced should be prepared for cemeteries
The motor grader donated by the Ministry of Provincial Councils and Local Government in the year 2014 remained idle from that date until the end of the year under review.	It had been referred to the District Valour to get the assessment report on 03.03.2023.	The resources of the Sabha should be used for effective activities.

### 4. Accountability and Good Governance

#### Environmental Issues

Audit Observation	Comment of the Sabha	Recommendation
Although the 03rd objective of the waste management plan is to produce compost, sell it and popularize organic fertilizers among farmers, it has not been implemented by the end of the year under review.	The construction will be done in this year and the production of organic fertilizers will be started.	Fertilizer production should be started.