

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of financial statements of the Dimbulagala Pradeshiya Sabha for the year ended 31 December 2023 comprising the notes to the financial statements, statement of assets and liabilities, statement of net assets/ changes in equity, cash flow statement as at 31 December 2023 and other explanatory information of significant accounting policies 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 Dimbulagala Pradeshiya Sabha as at 31 December 2023, and its financial performance and 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**

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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 Sabhahad been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **.15 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 observation on the preparation of financial statements

### 1.6.1 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) Accrued expenditure amounted to Rs.304,212 relevant to the year under review had not been brought to accounts.	It has been informed that action will be taken to bring to accounts.	Should be brought to accounts on accrued basis.
(b) Court fines income of Rs.278,333 relevant to November, December months in the year under review was not identified and had not been brought to accounts.	It has been informed that action will be taken to rectify.	Revenue should be brought to accounts accurately.
(c) Six items valued at Rs.3,266,000 included in the Register of Fixed Assets as at 31 December in the year under review had not been shown in financial statements.	It has been informed that action will be taken to rectify.	Assets should be identified accurately and brought to accounts.
(d) As a result of including the items valued at Rs.1,351,368 handed over back in the year 2023 from the items received for the electronic libraries in the year 2021 in the fixed assets of the year under review, fixed assets had been over stated by the same amount.	It has been informed that action will be taken to rectify.	Assets should be identified accurately and brought to accounts.
(e) Revenue in sand mining amounted to Rs.678,600 relevant to the months October, November, December in the year under review had not been revealed in financial statements.	It has been informed that action will be taken to rectify.	Revenue should be brought to accounts accurately.

### 1.6.2 Un reconciled Control Accounts or Reports

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Vales relevant to 05 items of accounts stated in financial statements, was not reconciled with the vales shown in relevant subsidiary registers by Rs.1,063,003.	It has been informed that action will be taken to rectify.	Should be rectified after identifying the reason for the difference between balances

**1.6.3 Lack of Evidence for Audit**

<b>Subject</b>	<b>Amount Rs.</b>	<b>Evidence not made available for audit</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
Water deposits	76,200	Updated register of deposits Schedule	Action will be taken to formalize	Register of deposits should be updated Schedules should be submitted
Sundry deposits	(955,532)			
Cumulative depreciations	86,,002,724	Depreciation analysis		Analysis should be forwarded
Interest income of fixed deposits	2,388,029	Schedule relevant to the calculation of interest Notice for renewal of fixed deposits	Action will be taken to formalize	Should be forwarded the schedules and confirmation of balances.
Value of fixed deposits	18,998,903	Letters for confirmation of balances		

**1.7 Non-compliances**

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

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

<b>Reference to laws, rules and regulations</b>	<b>Non-compliance</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
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**(a) Provisions of Rules and Ordinance**

(i) Rule No.1.1 of the Gazette Extra Ordinary No.2086/15 dated 29 August 2018 published for the Pradeshiya Sabhas in the North – central province	Even though monthly 400 liters of fuel is entitled for a Chairman of the Pradeshiya Sabha in a Divisional Secretary’s division, 25 liters of fuel valued at Rs.11,250 had been utilized by exceeding the prescribed limit for the vehicle bearing No.PF-7441 which was given for the acting Chairman. In addition to that, fuel valued at Rs.119,026 had been used for the cab vehicle bearing No.252-6532 and the crew cab vehicle bearing No. LL 7627.	Submitted for the approval of the Commissioner of Provincial Councils	Action should be taken in accordance with rules and regulations.
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## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs.17,722,076 as at 31 December 2023 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.11,965,451.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding 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	2,171,480	3,046,655	2,320,180	693,220	41,250,000	2,254,865	1,794,100	2,667,500
Rents	5,646,565	4,533,785	3,012,217	3,817,385	6,513,827	3,162,964	2,671,906	5,070,828
License fees	1,167,250	585,210	271,000	1,796,155	16,539,750	315,000	258,000	162,000
Other Income	109,990,296	85,991,168	95,445,945	59,832,574	13,300,000	68,394,491	32,453,304	76,499,798
<b>Total</b>	<b><u>118,975,591</u></b>	<b><u>94,156,818</u></b>	<b><u>101,049,342</u></b>	<b><u>66,139,334</u></b>	<b><u>77,603,577</u></b>	<b><u>74,127,320</u></b>	<b><u>37,177,310</u></b>	<b><u>84,400,126</u></b>

#### 2.2.2 Performance on Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) <b>Rents</b>		
Revenue in arrears of shop rents as at 31 December in the year under review amounted to Rs.941,729 and revenue of weekly fair in arrears amounted to Rs.2,369,614.	Action will be taken to recover the revenue in arrears of shop rents and legal actions will be taken for the balances in arrears in a long time.	Action should be taken to settle the revenue in arrears.
(b) <b>License Fees</b>		
Revenue in trade license in arrears, industrial taxes and business taxes amounting to Rs.2,421,875 have remained as at 31 December in the year under review.	Action will be taken to recover the revenue in arrears.	Action should be taken to settle the revenue in arrears

(c) **Other Revenue**

According to the reports presented, the revenue to be collected within the year 2023 relevant to 04 water projects amounted to Rs.68,431,230 and the water charge in arrears as at 31 December in the year 2023 amounted to Rs.20,234,226. Accordingly, 29 per cent from the revenue was remained as revenue in arrears.

It has been informed that action will be taken to reduce the revenue of water charges in arrears.

Action should be taken to recover the revenue in arrears.

3. **Operating Review**

3.1 **Management Inefficiencies**

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	<b>By-laws</b>		
	By –laws had not been enacted for the 03 matters such as weekly fair taxes, three wheeler charges and sales promotion programmes which should have been enacted by –laws under Section 126 of the Pradeshiya Sabha Act.	It has been informed that necessary actions will be taken	Action should be taken to enact by –laws.
(b)	<b>Action Plan</b>		
	The Sabha had shown 36 activities in the Annual Action Plan, it had been failure to fulfill any activity during the year under review.	It is stated that action was taken to fulfill a part of the activities.	Action plan should be implemented.
(c)	<b>Abandoned works</b>		
	Even though 14 development projects have been commented in the year under review and preceding years and a sum of Rs.24,044,236 had been spent for that purpose, the expected results was not gained as at 31 December in the year under review and abandoned that works .	It had been informed that necessary actions will be taken	Expected results should be achieved .

### 3.2 Uneconomic Transactions

Audit Observation	Comment of the Sabha	Recommendation
(a) According to the bidding evaluation report relevant to purchasing of necessary equipment for play area and children's tables and chairs of the pre-school and day care centre, all bidders have submitted bids without any defect and all the conditions had been fulfilled. However, a sum of Rs.1,601,580 had been spent in excess to the lowest price without mentioning the reasons for selecting an institution which was presented bids more than the estimates of engineers, instead of selecting institute which was presented the lowest price and the reasons for rejecting other bidders.	It was informed that action was taken for calling bids from 10 suppliers.  The institution that offered the lowest price did not represent the entire number of items of the items selected, and the selected agency offered prices for all items.  It has also been informed that the Technical Evaluation Committee and the Procurement Committee have decided to bid on the basis of certificates of experience and quality in the distribution of equipment.	Action should not be taken contrary to the Procurement Guidelines
(b) Equipment valued at Rs.485,650 was distributed to 25 low-income families using Rs.500,000 of provisions received for the empowerment of women members of Parliament under the CDLG project. Items valued at Rs.97,125 given to 05 beneficiaries were idled and stored at home and there was also an opportunity to provide food production equipment to a person who was engaged in a sewing business.	It has been informed that the relevant parties have been informed in writing as well as verbally to use the items which are idle.	Action should be taken to distribute goods by identifying properly the parties get used

### 3.3 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Even though the shop rent to be recovered from 21 persons relevant to trade stalls belonging to the Dimblagala Pradeshiya Sabha amounted to Rs.559,590, due to the deficiencies existed in the files of the Sabha, it could not be taken legal actions against 06 persons relevant to Rs.166,170 against	It has been informed that action will be taken to correct the deficiencies.	Legal actions should be taken to recover the revenue in arrears.

the revenue in arrears. Therefore, the said money should have been recovered from the responsible officers.

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| (b) | The trade stall No.09 of Manampitiya has given on lease in 2018-2020 years. The Sabha had failed to take legal actions to recover the relevant amount of Rs.76,680 in arrears due to the defects in the Agreement. Action had not been taken to recover from the responsible parties as well.  | It has been informed that actions were taken to correct the defects.  | Legal actions should be taken for the recovery of revenue in arrears from the responsible parties. |
| (c) | Arrears amounting to Rs.953,250 relevant to weekly fairs was at a position of unable to recover due to the agreements are not available and the information of the lessees are not available in the Pradeshiya Sabha. No any action taken by the Sabha for the arrears amounting to Rs.1,644,495 which could be taken legal actions. | It has been informed that legal actions has been commenced for the recovery of weekly fair charges from the other lessees except for the lessees who are not having agreements. | Legal actions should be taken for the recovery of revenue in arrears from the parties responsible. |
| (d) | Although the amount of sand in the water treatment filters of the Nuwaragala and Siripura water projects was very low than the required level, there was a risk of mud depositing in the stone layer of the filter in the absence of sand application to the filter and thus damage to the entire filter.                            | It has been informed that necessary actions are being carried out by this time.   | Maintenance of water projects should not be delayed.   |
| (e) | According to the committee decision DIM/2023/14/20/66 and dated 20 April 2023, it had been decided to purchase the sand refined, no any action had been taken by the Sabha under the same decision to purchase sand.   | It has been informed that procurement activities done.  | Water projects should be maintained properly.  |
| (f) | 6,789 water connections had been provided by 04 water projects and 1,124 meters or 16 per cent fixed to them were in an inactive condition.  | It has been informed that action will be taken to purchase the rest water meters .  | Action should be taken to fix the necessary water meters.  |
| (g) | Relevant to two assets shown in the Register of Fixed Assets amounting to Rs.225,875 and shown in the financial  | It has been informed that action will be taken to correct it.   | Action should be taken to identify the fixed asset accurately.                                     |



statements amounting to Rs.431,175 had been included only the value, without identifying the asset.

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| (h) | Even though advance amounted to Rs.1,626, 116 had been provided relevant to 76 projects implemented I the years 2019,2020,2021 of the Dimbulagala Pradeshiya Sabha, project activities has not been implemented. Action also had not been taken to recover the advance s back.  | It has been informed that legal actions will be taken for the recovery.   | Legal actions against the responsible parties should be taken to recover the advances.             |
| (i) | Even though it was elapsed more than 08 years by issuing of five laptops of DELL brand and 02 I PADS which have been purchased on 20 February 2015 and entered in the inventory as an asset of the Sabha, had been issued for seven ex pradeshiya Sabha Members, the same equipment had not been returned to the Pradeshiya Sabha. Even though six members of the Sabha who were unable to hand over back 05 laptops and one I PAD, had agreed to pay the relevant value by 30 installments from 26 June 2019, as the same payment also neglected, a loss amounting to Rs.722,999 had been occurred to the Sabha. | It has been informed that informed to settle the relevant value to the Sabha.   | Action should be taken in accordance with the recommendations of the Committee On Public Accounts. |
| (j) | Even though it has been elapse more than 09 years by issuing 360 Galvanized flag poles to the ex-Chairman and 5 members of the Sabhaon 16 December 2014, they were not received to the Sabha.   | It has been informed that action has taken to aware the relevant members of the Sabha.                                  | Action should be taken in accordance with the recommendations of the Committee On Public Accounts. |
| (k) | Disciplinary Order has been issued in terms of 23.7 of the Code of Disciplinary, in taking action relevant to dispose a sum of Rs.2,625,660 by mentioning less amount in the duplicate copy than the amount mentioned in the original copy in receiving receipts when recovering of water charges from June 2016 to 28 June 2017 . As a result of imposing disciplinary Orders by   | It has been informed that action is being taken to recover by filing cases relevant to the value revealed by the audit. | Confirmations should be presented.   |

mentioning the amount disposed as Rs.1,711,782, Disciplinary Order had not been imposed for a sum of Rs.913,877.

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| (l) | The financial loss occurred by the revenue administrator of the Dimbulagala Pradeshiya Sabha in the year 2011 has been disclosed as Rs.1,367,681. Even though the disciplinary Order had been imposed on 27 December 2021, no any action had been taken thereon even by May 2024 and it had not been disclosed in financial statements as well. | It has been informed that action will be taken to take legal actions.  | Legal Action should be taken.                       |
| (m) | In terms of Section 42 of National Audit Act, No.19 of 2018, non- submission of the information and reports requested by the audit within 21 working days to the audit is an offence. Submission of replies for 04 audit queries had been delayed by more than 03 months.   | It has been informed that replies are being prepared for all audit queries for which replies has not been given. | Replies for audit queries should be given properly. |

### 3.4 Assets Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) Plastic chairs valued at Rs.253,750 purchased by the LDSP Project funds in the year 2021 to donate to the Medical officer of Health office Aralaganwila were idle in the period near 02 years period due to MOH office rejected those chairs.	It has been informed that as the MOH office rejected those chairs, action taken to donate those chairs to another office affiliated to the Sabha.	Before utilizing the funds, the necessity of purchasing should be identified and action should be taken accordingly.
(b) Equipment valued at Rs.1,280,000 out of the equipment required to the service centre purchased at spending Rs.2,442,000 on 11 July 2022, had been idle from the date of purchased up to date.	It has been informed that equipment are used for carrying out service activities of the vehicles and machineries belonging to the Sabha at present.	Planning should be prepared accurately and implemented by commencing projects.

### 3.5 Procurement Management

Audit Observation	Comment of the Sabha	Recommendation
Selecting of the supplier at a value of Rs.363,872 exceeding the estimated price in an instance of non-emergency requirement when purchasing of materials required for the construction of the fence of the pre-school under regional development project, was contrary to the paragraph 3.8 of the Procurement Guidelines.	Quotations were called from the 06 suppliers registered and only one person was presented quotations. It has been informed that the procurement committee had decided to award bid to the bidder who is the maximum bidding institute.	Action should be taken in accordance with procurement guidelines.

### 3.6 Deficiencies in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
(a) Having being stopped to use asbestos roofing sheets for the projects constructed under World Bank aids, engineering estimates had been prepared for asbestos roofing. As a result of that, the same items of work has been abandoned after awarding contracts and instead of that roofing items had been carried out under additional item of work which were valued to the rate higher than BS rate. A sum of Rs.2,034,402 had been incurred for repairing of the roof, due to preparing estimates contrary to the laws and rules.	The frame of the roof has been prepared by using iron, strutand C perlin on the instructions given by the engineer as it is not suitable to use wood due to the roof of the same building is with more assiduity in length and wide comparing the other buildings.	Projects should be implemented by preparing accurate plans and estimates.
(b) In terms of paragraph 8.13.4 of the Procurement Guidelines, when the approved contingency provision is exceeded or where there is no contingency provision, the contract variation order should be submitted for approval to the appropriate level of authority given in the Procurement Manual. However, action had not been taken to revise the estimate being Rs.32,610,412 of the construction of pre-school and day care centre project, although the net variation had been Rs.16,273,483 or 50 per cent from the total cost estimate.	It has been informed that the estimated value has increased due to construction raw materials, service and transport expenses has been rapidly increased and giving approval to complete the work in one step, which was scheduled to be completed in several steps.	Action should be taken in accordance with the Procurement Guidelines.

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| (c) | Material estimate of Rs.2,691,300 had been prepared by the technical officer for the project of purchasing required materials for the construction of GI fence of the Pre-school under PT-02 of Regional Development project and it was not mentioned the date prepared the same estimate or the date checked, the BSR rates used, the relevant time period had not been mentioned. | It has been informed that action will be taken to correct it. | Total cost estimate should be prepared with all details. |
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**3.7 Human Resource Management  
Audit Observation**

- |     | <b>Audit Observation</b>   | <b>Comment of the Sabha</b>                                     | <b>Recommendation</b>  |
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| (a) | According to the cadre information as at 31 December 2923, the approved cadre is 71 and 14 out of that remained as vacant. | It has been informed that relevant institutions has been aware. | Responsible parties should be aware to complete the vacancies. |
| (b) | Action had not been taken to recover the 7 loan balances amounted to Rs.144,058 recoverable from the year 2010             | It has been informed that action will be taken to recover       | Loan balances should be settled immediately.                   |

**4. Accountability and Good Governance  
4.1 Audit Committee**

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|  | Only 01 audit and management committee had been conducted by the Pradeshiya Sabha in the year under review. | It has been informed that action will be taken to conduct properly. | Audit management committees should be conducted properly |

**4.2 Environmental Issues**

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|  | 15 license holders who were the environmental license expired in the year 2023 had not taken action to obtain those licenses again. | It has been informed that most of the industrials have compel to obtain environmental licenses and legal actions will be taken to the industrials who are not paying response to the final reminder. | Activities on issuance of environmental licenses should be regulated in terms of National Environmental Act. |