

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dehiattakandiya Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising Statement of financial position as at 31 December 2023, Statement of Financial Operations 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 the provisions of the National Audit Act No. 19 of 2018 and the 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 Dehiattakandiya Pradeshiya Sabha as at 31 December 2023, 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

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 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) 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.
- (b) The financial statements presented includes all recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
Fixed deposit interest income receivable as on December 31 of the year under review had been overstated by Rs. 676,650 and Rs. 83,158 related to previous year had been accounted as income for the year under review, therefore the fixed deposit interest income for the year under review Rs. 759,808 had been overstated.	Correction will be done during the preparation of the final account in 2024.	Should be properly accounted.

1.6.2 Absence of written evidence for audit

Subject	Amount Rs.	Audit evidence not provided	Comments of the Sabha	Recommendation
(a) Land And Buildings	248,927,701	(i) Land deeds (ii) Survey Board Reports (iii) Fixed asset registers	That the land deeds could not be submitted due to non-grant by Sri Lanka Mahaweli Authority.	The evident should be submitted to confirm the account balances shown in the financial statements .
(b) Motor cars And Carts	82,554,814	(i) Fixed assets Register (ii) Board of surveys Reports	That it will be corrected in the future .	- Do -

(c)	Machines And Machinery	28,212,796	} Fixed assets Register	That it will be corrected in the future .	The evident should be submitted to confirm the account balances shown in the financial statements.
(d)	Furniture and Fittings	5,273,253			
(e)	Mixed deposits	95,569	(i) Balance confirmations (ii) Schedules and documents	- Do -	- Do -

1.7 Non-Compliance

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Below are the incidents where laws, rules, regulations and management decisions had not been not complied with.

With reference to laws , rules and regulations and management decisions	Non-compliance	Comments of the Sabha	Recommendation
(a) 1988 local councils (Finance and Administration) Rules			
(i) Rules 33 , 34 and 35	Lists of assessment tax defaulters had not been prepared and necessary actions had not been taken to freeze the properties.	That the necessary legal proceedings will be initiated and the arrears will be recovered.	Actions should be done in accordance with Financial and Administration Rules.
(ii) Rules 59 and 67	At the beginning of every year, an officer authorized by the Revenue Inspector or the Chairman should conduct a survey in the jurisdiction of the Council and prepare a list of trades and industries and submit it to the Secretary of the Council on or before March 31 of every year, but it had not been not done accordingly.	The post of Revenue Inspector is currently vacant and the incumbent is an office assistant. That the instructions for updating the register of businesses and industries are not being carried out promptly and rectified .	- Do -

(iii) Rule 218	All the lands and buildings owned by the sabha should be inspected once every year, but it had not been done accordingly.	That the necessary activities to inspect all the lands and buildings owned by the sabhal will be carried out promptly.	Actions should be done according to the Financial and Administration Rules
(b) Paragraph 3 of Public Administration Circular No. 30/2016 dated 29 December 2016	The vehicle fuel combustion test should be done once in 12 months or after 25,000 kilometers of driving, but the council had not done so.	That the fuel tests of all vehicles will be done this year.	Actions should be done as per the 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 2023 amounted to Rs. 13,707,370 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 2,903,119 in the preceding year.

2.2 Income Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Accrued Revenues

According to the information presented by the chairman, the following is the information about estimated income, billed income, collected income and arrears related to the year under review and the previous year.

Source of income	2023				2022			
	Estimated Income	Billed Revenue	Accumulated revenue	Total deficit as on 31st December	estimates Earnings	Billed Revenue	Accumulated revenue	Total deficit as on 31st December
i. Assessment tax and taxes	Rs . 1,639,312	Rs . 1,833,172	Rs . 1,664,976	Rs . 2,319,442	Rs . 1,649,311	Rs . 1,483,222	Rs . 1,555,086	Rs . 2,151,246
ii. rental	17,544,027	15,726,511	14,850,934	2,769,076	16,341,697	10,844,798	19,072,517	1,893,499
iii. License fees	2,125,500	2,503,210	2,520,710	508,800	2,102,500	2,331,712	2,167,062	526,300
iv. Other income	7,908,310	10,233,586	8,538,811	1,964,465	4,387,860	5,198,578	5,398,102	269,689
Total	29,217,149	30,296,480	27,575,431	7,561,783	24,481,368	19,858,310	28,192,767	4,840,734

2.2.2 Revenue Collection Performance

Audit Observation	Comments of the Sabha	Recommendation
(a) As on December 31 of the year under review, the balance of outstanding rates was Rs.2,319,442 and as of 01 January 2023, only Rs. 272,376 was collected in the year 2023 out of a value of Rs. 2,151,246 and accordingly, the progress of recovering arrears remained at a very low level of 13 percent.	Absence of a permanent revenue inspector in the sabha results in delays in collection of arrears. That it will be managed as much as possible to minimize the deficit revenue.	According to the provisions of the Act, the arrears of revenue should be recovered promptly.
(b) As of December 31 in the year review outstanding of shop rental balance was Rs 2,263,942 and legal actions had not been taken to recover the arrears by the sabha.	In order to collect arrears of rental income, final notices was sent to the owners of the arrears and legal proceedings will be taken to collect them.	Legal action should be taken to recover the arrears as per the agreement.

3. Operational Review

3.1 Performance of functions assigned by the Act

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Local Councils Act, matters to be enacted by-laws had not been identified and by-laws had been enacted by 31 December 2023, only 05 by-laws had been enacted.	The audit continues to point out that there are delays in giving the approval of the Eastern Provincial Council due to the loss of by-laws under 123 of the Local Council Act and currently 05 by-laws are being enacted.	interim Constitution imposed and should be legalized.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) About 16 tons of non-biodegradable garbage generated monthly was dumped in open ground without covering the soil in violation of Additional Terms and Conditions No. 2.2 and 2.3 of the Environmental Permit. Thus, since the disposal of non-biodegradable waste in the open land causes serious environmental damage, the council should pay immediate attention to a non-biodegradable waste recycling program.	That the measures are taken to follow proper waste storage practices.	Garbage disposal system should be regular.

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| (b) | In the year 2023, the local council had collected 240 tons of garbage at a cost of Rs. 10,770,730 in the form of 04 tons of biodegradable garbage and 16 tons of non-biodegradable garbage and 950 kg of compost was produced from the biodegradable garbage and only 800 kg of that stock was sold for an income of Rs. 16,000. | Sales decreased due to reduced demand for organic fertilizers due to the re-use of chemical fertilizers. Hence production is reduced. That the public aware of the use of organic fertilizers and preparations are being made to carry out programs to increase demand. | The attention of the council should be focused on a program to increase the production and sale of compost |
| (c) | Regarding 62 items identified as deficient by the 2022 goods verification, the responsible officials had not been identified and brought the relevant goods to the council or taken necessary measures, and the attention of the council should have been on streamlining the storage control practices. | That the necessary measures are taken to follow proper storage control practices. | The responsible officers should be identified and arrangements should be made to bring the relevant items to the council. |

3.3 Operational Inefficiencies

Audit Observation

Assessment tax is levied based on the assessment of 2011 on the properties belonging to the local council jurisdiction and no steps were taken to assess the property and levy assessment tax on it at the time.

Comments of the Sabha

Requests have been made from time to time to the assessment department for re-assessment after 2011, but no reply has been received so far. That the request will be processed again.

Recommendation

Timely assessment and collection of taxes should be done.

3.4 Idle or Underutilized Property, Plant and Equipment

Audit Observation

- (a) It was observed that 05 unusable vehicles in the possession of the council have been idle for a period of 02 to 09 years, out of which 04 vehicles have been identified to dispose, but the disposal activities has not been completed.

Comments of the Sabha

Would like to inform that the Eastern Provincial Council is carrying out the necessary activities for the disposal of 04 vehicle items. It will cost about Rs.35 lakhs to repair the backo loader and it is in a condition where it is not possible to repair it as the council cannot afford that money.

Recommendation

Arrangements should be made to dispose of idle vehicles.

- (b) Under the Regional Development Support Project (PT 02) for the production of the school bag and school footwear production project, due to the delay in the provision of funds for the renovation of the proposed

Construction of the building to implement the project was approved to be implemented under the second phase and the

The building should be modernized and the

building, 23 items of machinery and equipment worth Rs. 18,328,150 purchased by the pradesiya sabha were idle in storage, 09 months of their warranty period had been exceeded by now even though they had not been used.

equipment was temporarily located in the old local council building. That the repair works of the buildings have already started and these equipment are to be placed in place immediately after completion. machines and equipment used.

3.5 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Actions had not been done to transfer the ownership of 07 vehicles to the name of the sabha.	That the ownership of the vehicles will be taken over in the name of the sabha in the coming year.	Arrangements should be made to transfer ownership of the vehicles in the name of the sabha.
(b) The value of 44 cemeteries, 38 playgrounds and other buildings belonging to the local sabha had not been recognized and accounted for.	That will be corrected in the future.	Value must be recognized and accounted for.
(c) The value of 03 vehicles owned by the local sabha had not been identified and accounted for.	- Do -	- Do -

3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
By the end of the year under review, it was observed that 15 positions in the sabha were vacant and due to this, problems had arisen in fulfilling the tasks of the respective positions.	As indicated by the audit, despite the existence of employee vacancies and problems arising in the performance of our institution's functions, the problem has not been resolved due to the delay in recruitment by the Eastern Provincial Council.	Necessary action should be taken to fill up the vacancies.

4. Accountability And good governance

4.1 Audits Committee

Audit Observation	Comments of the Sabha	Recommendation
In accordance with the Circular No. DMA/2009(1) dated 09 June 2009 of the Department of Management Audit on Internal Audit Guidelines, the Sabha did not establish Audit and Management	That an Internal Audit Committee is being actively implemented for this year.	Steps should be taken to initiate procedures and conduct meetings for the Audit and

Committees and hold committee meetings during the year under review.

Management Committee.

4.2 Sustainable Development Goals

Audit Observation

According to the Sustainable Development Act No. 19 of 2017, the necessary indication for achieving sustainable development goals and targets were prepared and data related to them was collected and records were not maintained on reaching the sustainable development goals.

Comments of the Sabha

Sustainable development goals and objectives are identified and actions are taken to achieve them.

Recommendation

According to the circular, the sabha must take measures to collect the necessary data and make the necessary financial allocations for achieving the sustainable development goals and objectives.