

Deraniyagala Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Deraniyagala Pradeshiya Sabha for the year ended 31 December 2023 comprising the financial position as at 31 December 2023 and statement of financial operations, cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other clarifications 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 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 reported 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 Deraniyagala Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 determines 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 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 judgement and maintain professional skepticism throughout the audit. I also

- Appropriate audit procedure 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 Pradeshiya Sabha's 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 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 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 discussions issued by the governing body of the pradeshiya sabha
- Whether the pradeshiya Sabha 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 the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- (a) The financial statements of the pradeshiya sabha are consistent with the preceding year as per the requirement of the section 6(1)(d)(iii) of the National Audit act No. 19 of 2018 .
- (b) The recommendations made by me in the preceding year as per the requirement indicated in the section 6(1)(d)(iv) of the National Audit act No. 19 of 2018 had been included in the financial statements forwarded.

1.6 Audit Observations in relation to the preparation of the financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Due to adjusting the difference existed among the 04 balances of the assets and liabilities and the balance of related documents since long time to the cumulative fund without formal approval, the cumulative fund and employee loan account had been overstated by Rs.637,487 and deposit account and advance account had been understated by Rs. 3,657,571.	It had been agreed and since the reason for this couldn't be found, the approval had been obtained by the decision of Secretary to adjust the balance of the documents through the journal notes.	The action should be taken to rectify the accounts.
(b) The difference of Rs. 805,299 with the fixed assets registers existed in 02 fixed asset account balances had been adjusted without formal approval.	It had been agreed and the approval had been obtained by Secretary decision No.09.	- Do -

1.6.2 Unreconciled control Accounts or Reports

Audit Observation	Comment of the Council	Recommendation
A difference of Rs. 47,882,571 had existed when reconciling the balance of 03 account subjects as per the financial statements with the schedules.	Agreed	The difference should be reconciled.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the council	Recommendation
The schedules had not been submitted for the non-financial assets and mixed deposits of Rs. 11,947,312.	Agreed.	The relevant evidence should be submitted.

1.7 Non-Compliance

Non-compliance with rules, laws, regulations and Management Decisions

Audit Observation	Comment of the council	Recommendation
As per Public Administration Circular 30/2016 dated 29 December 2016, the vehicle emission test had not been performed for 09 vehicles	Agreed	The action should be taken as per the circular.

2. Financial Review

2.1. Financial Result

As per the financial statements submitted, the income exceeded the recurrent expenditure was Rs. 10,705,276 for the year ended 31 December 2023 and correspondingly, the income exceeded the recurrent expenditure was Rs. 5,805,812 in the preceding year.

2.2 Income Administration

2.2.1 Estimated income, Billed income, Collected Income, and Outstanding Income

As per the information submitted, the information on estimated income, billed income, collected income and outstanding income in relation to the year under review and the preceding year are as follows.

Income Source	<u>2023</u>				<u>2022</u>			
	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment Tax and Other Taxes	13,989,745	14,934,636	11,209,907	3,724,728	8,223,845	9,169,126	8,665,439	2,421,200
Rents	7,789,325	8,741,456	8,654,402	87,053	7,246,849	8,152,080	8,281,477	63,684
License Fees	1,140,100	1,526,275	1,485,775	40,500	790,100	1,264,476	1,305,476	9,100
Other Income	<u>3,849,000</u>	<u>6,330,632</u>	<u>5,547,729</u>	<u>782,903</u>	<u>2,553,500</u>	<u>5,007,633</u>	<u>4,856,840</u>	<u>711,166</u>
Total	<u>26,768,170</u>	<u>31,532,999</u>	<u>26,897,813</u>	<u>4,635,184</u>	<u>18,814,294</u>	<u>23,593,315</u>	<u>23,109,232</u>	<u>3,205,150</u>

2.2.2 Income Collection Performance

Audit Observation	Comments of the council	Recommendation
The balance of Rs.255, 363 more than 05 years had existed in outstanding Acre Tax of Rs. 296,233 as at 31 December 2023.	It had been agreed and the action will be taken to recover the outstanding amount.	The income should be immediately recovered.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) In accordance with the vehicle survey, even though it had been identified 489 vehicles, the tax had been received from 984 institutions as per business tax document. Accordingly, as 495 business units had not been identified, the accuracy of the business survey is questionable.	Agreed.	The business survey should be accurately carried out.
(b) Even though a bio gas unit had been constructed in 2023, a very small quantity of bio gas produced by that is only used and a large quantity is burnt and destroyed. Accordingly, the sabha had failed to effectively and efficiently utilize an amount of Rs. 8,703,078 incurred for these all constructions.	The action will be taken in the future to commence a project of installation of a dehydration machine by using the burnt gas.	The action should be taken to effectively and efficiently utilize a bio gas unit.
(c) The balance of Rs. 24,396,200 more than 05 years had existed in industry creditors balance of Rs. 33,861,754 as at 31 December 2023 as per the financial statements.	Agreed.	The balances should be settled.
(d) As per the financial statements, a balance of Rs. 2,949,478 more than 05 years had existed in the debtors' balance of Rs. 21,148,475 as at 31 December 2023.	- Do -	- Do -

3.2 Operating Inefficiencies

Audit Observation	Comment of the Council	Recommendation
The procurement procedure had not been adhered for a repair of Rs. 313,800 carried out in 2023 for the cab.	The procurement procedure had been followed in terms of Public Administration Circular 30/2016.	The procurement procedure should be adhered.

3.3 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) There were 17 vacancies and 04 excess from an approved cadre of 65. Except that, 19 posts on labour basis and 01 post on casual basis had been recruited also. Similarly, 13 persons had been approved personally to holder and 02 persons had been engaged in the service without approval.	Multipurpose Development Employee Assistant appointments had been appointed in the vacancies in the approved cadre.	New posts should be approved.
(b) 08 persons out of 23 recruited on casual and labor basis had been employed in the service of other posts not related to their permanent posts.	In amending the Service Minute, the all laborer posts had been absorbed to work/field laborer posts.	The action should be taken to fill the vacancies and recruited persons should be engaged in the stipulated task.
(c) A loan balance of Rs. 358,597 recovered from 11 officers and elapsed 02-24 years had not been recovered even up to end of year under review.	Agreed.	The outstanding employee loan balances should be recovered.