

Dambulla Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dambulla Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, for the year then ended and notes to the financial statements including material accounting policy 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 sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and sub-section 10 (1) of National Audit Act No. 19 of 2018. 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Dambulla Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

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 (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this 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 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.

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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed 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.
- Obtained 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 the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 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 Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for 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 the recommendations made by me in the previous year except the audit matters of 1.6.1(b) of this report 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	Comments of the Sabha	Recommendation
(a)	The total expenditure incurred on 06 purchases and constructions during the year under review amounting to Rs. 1,557,818 had not been capitalized.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.
(b)	Although the amount payable by the Dambulla Pradeshiya Sabha to the Dambulla Municipal Council as per the report of the Central Province Local Government Commissioner at the time of the establishment of the Dambulla Municipal Council due to the delimitation carried out in 2011 was stated as Rs. 2,486,917, it had been erroneously accounted for Rs. 2,806,009 as income due from the Municipal Council to the Pradeshiya Sabha.	-Do-	-Do-
(c)	The land and building where the Wewala Public Market is located, amounting to Rs. 1,282,400, used by the Pradeshiya Sabha, had not been accounted for.	That the facts will be investigated and corrected.	-Do-
(d)	While Rs. 3,000,000 payable for the construction of the fence and access road of the building owned by the Inamaluwa Sabha had been accounted for under creditors in journal entry number 140, due to the fact that Rs. 3,000,000 had been accounted for as creditors again in journal entry number 89, creditors had been overstated by Rs. 3,000,000.	The correction will be made when preparing the final account for 2025.	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
When comparing the balances of 08 accounting items mentioned in the balance sheet prepared as at the end of the year under review with the balances in the relevant schedules, there was a difference of Rs. 105,653,583.	The schedules are incorrect and will be corrected.	Documents related to the account balance should be compared with schedules.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
It could not be satisfactorily examined during the audit, due to non-submission of schedules, balance confirmation letters and files relating to 06 asset items totalling Rs. 12,998,643 and a liability balance totalling Rs. 1,652,373 shown in the financial statements for the year under review	The files are being investigated and corrected.	Documents, schedules and files related to account balances should be prepared.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows

Reference to Laws, Rules Regulations	Non Compliance	Comments of the Sabha	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(a) F.R. 104 (4)	Relevant investigations had not been conducted regarding 04 vehicle accidents that occurred during the period 2019 - 2024, those responsible had not been identified and necessary actions had not been taken.	Investigations are being carried out.	Investigations should be completed promptly and losses should be recovered.

- (b) F.R. 571(3) 47 lapsed deposits of Rs. 4,575,359 relating to the period from 2014 to 2024 had not been settled. The deposits will be settled. Lapsed deposits must be settled.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December amounted to Rs. 34,352,028 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 49,949,089 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 Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

2024					2023			
Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i). Rent	7,920,000	3,672,481	3,672,482	2,161,138	22,265,000	5,167,977	4,591,342	2,161,139
(ii). License Fees	21,291,000	17,754,877	9,320,328	9,114,999	18,102,500	13,723,014	14,478,258	680,450
(iii). Other revenue	28,505,500	36,957,007	42,123,480	28,316,447	34,845,248	114,722,678	138,816,474	33,482,920
Total	<u>57,716,500</u>	<u>58,384,365</u>	<u>55,116,290</u>	<u>39,592,584</u>	<u>75,212,748</u>	<u>133,613,669</u>	<u>157,886,074</u>	<u>36,324,509</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates & Taxes		
In accordance with Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, actions had not been taken to designate the developed areas within the Sabha area, obtain approval accordingly and levy assessment tax.	Further actions are being taken.	Developed areas should be designated and assessment tax should be levied.

(b) Rent

There was an arrears of Rs. 2,161,138 in parking lot rent as of the end of the year under review.

Further actions are being taken.

The arrears of revenue should be recovered.

3. Operational Review

3.1 Fulfilment of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshia Sabha Act are shown below.

(a) Failure to reach expected outcome

Audit Observation	Comments of the Sabha	Recommendation
Although the surplus funds of the Sabha can be used in revenue-generating projects for the Sabha, projects for the development of Sabha properties or projects for the provision of public amenities to the majority of the people, as per the circular of the Central Province, Local Government Commissioner, No. 2020/06 dated 28th September 2020, without doing so, Rs. 74,861,518 had been invested in fixed deposits as at the end of the year under review, while Rs. 38,267,793 remained idle in the current account.	Fixed deposits will be used for income-generating projects in 2025.	Surplus money should be used for regional development.

3.2 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	According to the inspection report under F.R 104(4) conducted on 21 March 2021 regarding the shortage of goods revealed in the board of survey conducted in 2016, orders had been issued to recover Rs. 461,654 from 05 officers, but Rs. 432,404 had not been recovered.	The F.R.104 (4) inspection report regarding the shortage of goods has been provided to the Department of Local Government.	Action should be taken to promptly implement the recommendations of the F.R.104(4) inspection report.

(b)	Regarding the non-recovery of arrears tender fees amounting to Rs. 1,029,121 for the years 2005, 2006 and 2013 at the sacred site of the Dambulla Vihara Junction, an investigation had not been conducted and action had not been taken to identify the relevant responsible parties in accordance with F.R. 104(4) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	The 104 (3). investigations have been carried out	F.R. 104(4) Investigation should be carried out immediately, those responsible should be identified and losses should be recovered.
(c)	Although the Sabha had prepared a sustainable development plan, it was observed that the action plan had not been prepared to achieve the objectives and targets set out in the Sustainable Development Act. Furthermore, the sustainable development plan had been prepared without targets and a time frame, and the programmes expected to be implemented to achieve the sustainable development objectives had not been specified.	Action will be taken in the future.	Sustainable development goals should be identified and the desired objectives should be achieved.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation

04 vehicles worth Rs. 2,450,000 which are in the possession of the Sabha remained idle or underutilized for a period of 06 to 17 years.

Comments of the Sabha

Efforts are being made to utilize the assets, but utilization has become problematic due to the lack of drivers for the vehicles.

Recommendation

Assets should be utilized.

3.4 Assets Management

Audit Observation

56 cemeteries, 69 lands where community halls are located, 21 playgrounds, the land where the office complex is located, the land where the Sigiriya parking lot is located, and the land where the Wewalawewa Sathipola is located, which are used by the Pradeshiya Sabha, had not been taken over by the Sabha.

Comments of the Sabha

The taken over process is being carried out.

Recommendation

Action should be taken to acquire the assets.

3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
There were 13 vacancies for 04 secondary level posts and 11 vacancies for 06 primary level posts.	Vacancies have arisen due to the failure to assign a sufficient number of officers to replace transferred officers and the failure to provide officers under transfer for certain positions.	Vacancies should be filled.