

Deraniyagala Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Deraniyagala Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Statement of changes in net assets / equity, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Deraniyagala Pradeshiya Sabha as at 31 December 2024, 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

I expressed qualified opinion on the financial statement based 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 Requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- 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.
- The financial statements presented includes all the recommendations made by me in the previous year 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 Council	Recommendation
(a)	As the value of library equipment was overstated by Rs. 171,244 at the end of the year under review, the balance of the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was overstated by that value.	That will be corrected in the 2025 financial statements.	The value of the equipment must be accurately accounted.
(b)	The notes to the financial statements had not disclosed 05 cases pending against the Council at the end of the year under review.	That the value of contingent liabilities is estimated and provisions are made for it.	Contingent liabilities should be disclosed in the notes to the financial statements.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	
There were discrepancies of Rs. 197,273 between the balances as per the financial statements and supporting documents at the end of the year under review in relation to 03 accounting items.	That the difference will be found and corrected.	The difference must be identified and adjustments made.

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 2024 amounted to Rs. 27,207,498 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 10,705,276 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 submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Source of Revenue	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	14,833,845	16,030,744	13,127,460	2,903,284	13,989,745	14,934,636	11,209,907	3,724,728
Rent	9,463,870	11,326,890	11,274,567	52,323	7,789,325	8,741,456	8,654,402	87,053
License fees	1,210,100	1,460,890	1,460,890	-	1,140,100	1,526,275	1,485,775	40,500
Other Revenue	<u>5,477,000</u>	<u>8,506,026</u>	<u>8,406,598</u>	<u>99,428</u>	<u>3,849,000</u>	<u>6,330,632</u>	<u>5,547,729</u>	<u>782,903</u>
Total	<u>30,984,815</u>	<u>37,324,550</u>	<u>34,269,515</u>	<u>3,055,035</u>	<u>26,768,170</u>	<u>31,532,999</u>	<u>26,897,813</u>	<u>4,635,184</u>

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation	Comments of the Council	Recommendation
Of the acreage tax balance due at the end of the year under review, Rs. 147,269 had not been recovered by May 2025. This also included a balance of Rs. 119,833 that had been outstanding for more than 05 years.	Although the request for arrears to be written off had been sent for approval, approval had not been received.	Steps should be taken to recover outstanding acreage taxes.

3. Operational Review

3.1 Performing of Functions Enacted 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 Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Council	Recommendation
By-laws		
Although the Council had prepared 03 by-laws and forwarded them to the Department of Local Government in the years 2022, 2023 and 2024, they had not been approved by the end of the year under review.	That step have been taken to obtain approval.	Bylaws must be approved and implemented.

3.2 Abandoned Projects

Audit Observation	Comments of the Council	Recommendation
(a) Under the Deyata Kirula program, construction work on a two-storey building with 50 shops at the Deraniyagala bus stand at an estimated cost of Rs. 44,801,292 had commenced in 2014. Although it was planned to construct 30 shops on the ground floor with the Deyata Kirula program funds and 20 shops on the upper floor with the council funds, only 11 shops on the ground floor were constructed and the industry was abandoned.	The Deputy Director of Engineering (Local Government) of the Sabaragamuwa Provincial Council has provided a new plan and estimate for the construction of the shops, but it has not been possible to secure sufficient funds for it.	Provisions should be made and work should be done to complete the construction.
(ii) Rs. 24,299,000 in advance payments collected from 29 tenderers in 2014 and 2015 for the construction of the above shops had been used for other purposes through a supplementary estimate in 2015. 11 shops whose construction had been completed had been idle for almost 10 years and due to the construction being stopped midway, the wiring of the building was deteriorating.	The Deputy Director of Engineering (Provincial Administration) of the Sabaragamuwa Provincial Council has provided a new plan and estimate for the construction of the shops, but it has not been possible to secure sufficient funds for it.	Provisions should be made and work should be done to complete the construction.

3.3 Assets Management

Audit Observation	Comments of the Council	Recommendation
Although the mileage meters of 03 vehicles in running condition were inoperative, no steps had been taken to repair or install new meters by the end of the year under review.	One vehicle has been sent for repair, and the referring institutions have informed us that the mileage meters for two vehicles cannot be repaired.	Arrangements should be made to repair or install new meters.

3.4 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
(a) The work of supplying and installing the lightning conductor, which was to be carried out according to the estimate of the construction industry for the roof of the weekly market, whose construction had commenced in the year 2021, had not been completed by the end of the year under review.	Since the money allocated for lightning conductors was insufficient, a request had been made to complete the project excluding that item.	Efforts should be made to complete development projects effectively.
(b) Rs. 739,718 had been overpaid for two work items in the stage preparation industry at the Puraneguma function hall.	Payments are correct.	The answer is unacceptable. The overpayment should be recovered.