

Dickwella Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dickwella Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Statement of Financial Operations, Statement of Changing Equity, Cash Flow Statement 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 Sub-Section 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 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 Dickwella Pradeshiya Sabha as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

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 Principles, 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 skepticism 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

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

- (a) Financial Statements of the Pradeshia Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Action had not been taken to account 12 lands and buildings valued at Rs. 3,567,860 owned by the Sabha as at the end of the year under review,.	That the land had not been accounted due to lack of title deeds and action will be taken to rectify it after the transfer of the legal title.	Should be accounted correctly
(b) Credit provisions had not been made for the payable amounting to Rs. 2,463,947 for the Provincial Services Pension Contribution Fund as at the end of the year under review.	Request had been done from the Director of the pension to revise the arrears to be paid	Should be accounted correctly
(c) The interest income amounting to Rs.175,000 for three fixed deposits amounted to Rs. 21,000,000 hold by the Sabha as at the end of the year under review, had not been accounted.	Actions will be taken to correct it by the 2021 accounts.	
(d) A generator belongs to the Sabha had not been valued and taken in to the accounts.	Action will be taken to asset the value and taken into the accounts.	

1.6.2 Non reconciled accounts

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 241,251,991 due to the financial statements value of Rs. 398,768,874 in 05 accounting items and the value of Rs. 157,516,883 in the utility register / sub registers.	Actions will be taken to correct	Action should be taken to correct the accounts by reconciling the differences of the balances.

1.6.3 Lack of documentary evidence for audit

Audit Observation	Comment of the Sabha	Recommendation
Due to non-submission of required information of 8 accounting items totaling to Rs. 176,262,787 could not be vouched satisfactorily in the audit.	Actions will be taken to correct in future	Evidences to confirm the balances of the financial statement should be submitted

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 45,159,104 as compared with against the revenue over recurrent expenditure amounted to Rs. 21,207,962 in the preceding year.

2.2 Performance of the revenue collection

Audit Observation	Comment of the Sabha	Recommendation
(a) There was arrears of assessment balance of Rs.734,521 at the end of the year under review.	The remaining arrears will be recovered expeditiously.	Arrears of assessment revenue should be recovered urgently.
(b) There was an arrears of rent Rs. 1,744,350 as at the end of the year under review.	Rs. 843,325 had been recovered from the existing deficit by 31 May 2021 and final notices had been issued to recover the remaining arrears. If there is no response, the shops will be acquired by the council.	Arrears of shop rent should be recovered urgently.

3. Operational Review

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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management inefficiencies

Audit Observation

Comment of the Sabha

Recommendation

According to the Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, Rs. 14,640,260 had been charged less from 12 hotels conducted in the Council area.

The action will be taken to recover the arrears from the hotels which have charged less in the future

Rent should be charge in accordance with the Act.

3.2 operating inefficiencies

Audit Observation

Comment of the Sabha

Recommendation

(a) Although 10 institutions have been identified which should have obtained Environmental Protection Licenses after conducting surveys in the year 2020, those institutions had not obtained environmental protection licenses. In addition, the license fee is Rs. 44,000 had not been charged to the Sabha.

Relevant industries have been informed in writing to obtain Environmental Licenses.

Action should be taken to give licenses.

(b) Action had not been taken to recover Rs. 438,375 due from 104 hoardings displayed in the area within the previous year and the year under review.

Reminders have been sent to the relevant institutions to pay the money.

Revenue should be collected promptly.

3.3 Weaknesses of Contract Administration

Audit Observation

Under the 'Sapiri Gamak' 2020 Community Based Rural Development Program, 03 roads with an estimated value of Rs. 1,481,786 had not been constructed to the required thickness.

Comment of the Sabha

The action had not been taken to pay the bills for 02 projects on the relevant 03 roads to the relevant contractors.

Recommendation

Constructions should be done in according to the standards.

4. Accountability and Good Governors

4.1 Environmental issues

Audit Observation

The amount of biodegradable waste generated in the council area is about 45 tons per month and about 1100 kilograms is used for the two biogas generators at the fair grounds and the Pradeshiya Sabha premises and the remaining amount of biodegradable waste is being dumped at Dematapitiya private land. The council has not yet identified a suitable method of disposing of garbage.

Comment of the Sabha

That attention is being drawn to the acquisition of suitable land.

Recommendation

A proper waste management project should be planned and implemented.