

Dickwella Pradeshiya Sabha - 2022

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 2022 comprising the Statement of financial position as at 31 December 2022, 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 2022, 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 Pradeshiya 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) At the end of the year under review, the Advertising board fees amounting to Rs.606,825 due for 13 Advertising board displayed in the Sabha area were not accounted.	That action will be taken to make adjustments in the Financial Statement of 2023 once the relevant Billboard fees have been recovered.	Should be accounted correctly.
(b) 08 vehicles amounting to Rs.2,867,155 which were discarded in the preceding years and the year under review were not removed from the Fixed Assets Register and were accounted under cars and carts.	That Action will be taken to rectify.	Should be accounted correctly.
(c) 06 plots of land amounting to Rs.22,805,000 was not accounted under Land and Buildings.	That action will be taken to find and account the relevant information.	Should be accounted correctly.
(d) An expenditure amounting to Rs. 3,804,825 incurred for the development of Land and Buildings owned by the Sabha incurred in the preceding year had not been Capitalized.	That action will be taken to capitalize in the 2023 Financial Statement.	Should be accounted correctly.
(e) Provisions amounting to Rs.1,500,000 were made under Creditors for the Program of providing toilet facilities which was not implemented in the year under review.	The program is expected to be implemented.	Should be accounted correctly.
(f) Creditors were overstated by an amount of Rs.118,090 as of the end of the year under review.	That a bank standing order is active for these payments, and that the bank statement containing the payments will be received in January, so this change is shown in relation to December.	Should be accounted correctly.

1.6.2 Non reconciled control account or records

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
A difference of Rs.203,651,509 was observed in between the relevant balances related to 05 accounting items and their Schedules in the financial statements totaling to Rs.378,257,147.	That action will be taken to rectify.	Action should be taken to rectify the accounts after comparing differences in the respective balances.

1.6.3 Lack of Documentary evidence for Audit

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
Due to non-submission of Detailed Schedules and Balance Confirmations, 04 accounting items totaling Rs.403,290,155 could not be satisfactorily vouched for during the audit.	That action will be taken regarding this in the future.	Evidence should be submitted confirming the account balances shown in the Financial Statements.

1.7 Non-compliances

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

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Non – Compliance Laws, Rules, Regulation and Management Decisions -----	Comment of the Sabha -----	Recommendation -----
Paragraph 132(a) of the Pradeshiya Sabha Act No. 15 of 1987 and Paragraph 03 (xvi) of the National Budget Circular No. 03/2022 and dated 26 April 2022	An amount of Rs.282,135 was spent for the festival held in the year under review for the evaluation of the Students who have shown skill in Sports in the Area of Authority of Dikwella, yet full approval had not been taken from the Minister. Also, expenses were done outside of the Guidelines of the Circular.	That full approval could not be obtained from the Governor as he had given instructions to use the relevant program over a telephone call, and that it was forwarded for approval afterwards.
		Action should be taken according to the Act.

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 amounted to Rs. 45,788,643 as against the excess of revenue over recurrent expenditure amounting to Rs. 75,375,089 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 chairman, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are given below.

Source of Revenue	2022				2021			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue Billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i) Rates and Taxes	7,847,400	4,069,966	3,571,612	2,672,202	7,885,900	3,958,100	2,621,835	2,173,848
(ii) Rent	8,036,590	4,200,221	3,887,151	1,459,675	7,557,300	3,472,550	4,070,295	1,146,605
(iii) License Fees	2,392,000	559,750	559,750	-	2,236,000	717,000	717,000	-
(iv) Other revenue	6,857,000	20,223,707	20,141,627	164,160	7,377,000	8,076,481	158,918,925	82,080
	25,132,990	29,053,644	28,160,140	4,296,037	25,056,200	16,224,131	166,328,055	3,402,533

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the council are given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Balance of the Arrears of Assessment Tax as of the beginning of the year under review amounted to Rs.2,173,848 and the Balance as of the end of the year amounted to Rs.2,672,202.	The arrears will be collected in the future.	Arrears of income should be collected as soon as possible.
(b) An Arrears amount of Rs.1,319,455 was to be collected from 61 shops owned by the council as of the end of the year under review.	Arrangements are being made to recover the arrears.	Arrears of income should be collected as soon as possible.
(c) Tax of 51 Shop rooms belonging to the Council was not Assessed according to paragraph 06 of Southern Province Local Government Commissioner's Circular No. දළඵා/පළාතො/2010/01 dated December 27, 2010.	It has been forwarded to the Valuation Department to obtain the new Assessment.	Action should be taken according to the circular.
(d) Court fines and Stamp duty to be received by the Chief Secretary of the Provincial Council amounted to Rs.1,190,000 and Rs.80,137,980 as of 31 December of the year under review.	Action will be taken to collect in the future.	Arrears of income should be collected as soon as possible
(e) Business Tax amounting to Rs.33,000 had not been collected from 03 companies operating 09 telephone transmission towers established in the Area of Authority of the Sabha as according to the Section 152 of the Pradeshiya Sabha Act No. 15 of 1987.	02 institutions have informed that they will make payments related to the years 2022 and 2023 at the same time, and Final Reminder Notices have been sent to One Institution.	Action should be taken according to the Act.

3. Operational Review

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

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) By-laws were not enacted for three-wheeler registration, private and Ayurvedic massage centers, maintenance of Seetagalla swimming pool and approval of building plans and land subdivision in the non-urban area as according to Section 126 of the Praseshiya Sabha Act	Informed that By-laws are being prepared by the Forum of Local Government Agencies and expected to be provided to the local government agencies.	Action should be taken according to the Act.
(b) Garbage was dumped on private land until February 2022, after which collection of Garbage was stopped due to public protests. Even at the end of the year under review, no proper system had been planned for the collection and proper disposal of the garbage generated within the Area of Authority of the Sabha.	Action will be taken to rent a private land and dispose collected garbage within it daily.	A permanent and formal Waste Management project should be implemented

3.2 Management Inefficiencies

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
Action had not been taken in accordance with Financial Regulations 760, regarding 144 items belonging to 23 types Goods identified as deficiencies worth Rs.116,215 belonging to Dickwella Pradeshiya Sabha Head Office, Dickwella Pradeshiya Sabha Pre-school and Radhampala Nanasala Center identified in last year's board of survey.	Action will be taken in the future according to the recommendations of the 2022 Annual Survey Board.	Action should be taken according to the regulations.

3.3 Transactions of Extraneous Nature.

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
Rs.39,344 has been paid as holly day pay to one female officer for 17 days without confirming the arrival and departure by the Fingerprint Machine, contrary to the Guidelines of Section 02(iv) of the Public Administration Circular No. 09/2009 dated 16 April 2009.	That only the attendance sheet was signed.	Action should be taken according to the circular.

3.4 Contracts Administration

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) During the period from 2020 to December 31 of the year under review, the Sabha had not identified all the work and prepared 11 estimates for an amount of Rs.16,155,404 and had been carried out by 02 Community Organizations without preparing a Total Cost Estimate in the implementation of the projects of constructing safety fences in the children's park and pre-school of Dikwella Public Stadium and developing Dikwella Public Stadium.	That implementation of these projects are based on the amount of funds available in the Sabha and estimates are prepared and projects are carried out according to the needs that arise from time to time.	Action should be taken to prepare the Total Cost Estimate and call tenders to ensure competitive price advantage in the awarding of contracts.
(b) During the core cutting test conducted on 17 November 2022, 06 out of 15 samples taken lacked an estimated thickness of 0.125 meters of 03 roads that had been laid with concrete and developed by community-based organizations under direct contract basis at an estimated amount of Rs. 5,976,545 in the year under review based on the allocations received for the reconstruction of the roads destroyed by the Matara-Kataragama railway line under Chinese aid.	The action has been taken to recover the amount related to the reduced thickness in relation to one road from the contract society, and that action has been taken to release the retention money for the concrete volume of the sections where the thickness has been reduced in two roads.	The construction should be done to proper standard.
(c) An amount of Rs. 12,000,000 had been received in 03 occasions between 2015 and 2020 for the reconstruction of the roads destroyed during the implementation of the Matara-Kataragama railway project under Chinese aid and although the remaining amount of Rs.6,100,110 has been received by the sabha for more than 02 years, yet the remaining roads proposed to be developed have not been developed.	That in 2020, 03 projects value Rs.1,018,708 and in 2022 one project value Rs.1,936,222 were carried out, and that 05 projects with an estimated value of Rs.8,698,733 have been contracted to be completed in 2023.	Projects should be completed promptly.

3.6 Human Resources Management

Audit Observation	Comment of the Sabha	Recommendation
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(a) Two health labours and a driver's assistant were assigned duties without proper assignment of duties related to the position and an amount of Rs. 4,461,486 was spent from the Sabha fund for that purpose in the year under review.	Employed on requirement of service	The relevant duties related to the position should be assigned.
(b) The debt balance due from a number of years totaling to Rs.803,350 was to be collected from 08 employees who were transferred, left service, suspended or deceased after serving in the sabha.	That action will be taken to collect the arrears.	Should be collected promptly.