

## **Dickwella Pradeshiya Sabha - 2023**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Dickwella Pradeshiya Sabha for the year ended 31 December 2023 comprising the financial position as at 31 December 2023 and statement of financial operations, statement of changes in net assets, 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 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 Dickwella 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 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 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 on preparation of the Financial Statements

#### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the sabha	Recommendation
(a) The provision for debtors had not been made for receivable amount of Rs.147,000 for development of Sanath Jayasooriyagama Rural Volleyball Ground made provisions under various creditors for the loan installment and interest of Rs.118, 090 paid to the Local Loans Development Fund.	The action will be taken to accurately account.	It should be accurately accounted.

(b) A backhoe worth of Rs.4,494,435 which is not physically with the sabha had been overstated under the machines and machineries and Rukattanagahahena land worth of Rs.100,000 had not been accounted under land and buildings.	The action will be taken to rectify.	It should be accurately accounted.
(c) An amount of Rs. 3,243,435 incurred for the renovation of the motor vehicles and carts in the previous years had been capitalized under the motor vehicles and carts.	The action will be taken to rectify.	It should be accurately accounted.
(d) Receivable industrial debtor's balance of Rs.364, 443 and a payable balance of Rs.452, 356 in relation to 03 industrial had been overstated.	The action will be taken to rectify in the financial statements in 2024.	It should be accurately accounted.
(f) A balance of Rs.1, 988,648 payable to the contributory pension fund had been understated at the end of year under review.	The provision for creditors had been made only for the outstanding contribution amounts related to 2008 to 2016.	It should be accurately accounted.
(g) A balance of a savings account closed in 2019 had been accounted as Rs.360,340 under the current assets in the financial statements and 261 items in the inventory nature worth of Rs. 1,391,977 had been accounted as under the fixed assets.	The action will be taken to rectify in the financial statements 2024.	It should be accurately accounted.

### 1.6.2 Unreconciled Control Accounts or Reports

Audit Observation	Comments of the sabha	Recommendation
There was a difference of Rs. 222,845,934 between the balances related to 05 account subjects indicated in the financial statements and the balances indicated in the relevant subsidiary books/schedules.	The action will be taken to rectify it.	The action should be taken to rectify the accounts having reconciled the differences of balances.

**1.6.3 Lack of Documentary Audit Evidence for Audit**

Audit Observation	Comments of the sabha	Recommendation
Since the required information had not been submitted, an account subject of Rs. 114,027 couldn't be satisfactorily inspected in the audit.	The action will be taken to rectify the schedules.	The evidences for verifying the account balances should be submitted.

**1.7 Non-Compliances**

**1.7.1 Non-Compliance with laws, rules, regulations and management decisions**

Reference to laws, rules and regulations	Non-compliance	Comments of the sabha	Recommendation
-----	-----	-----	-----
<b>Financial Regulations of Democratic Socialist Republic of Sri Lanka</b> F.R. 772 (1)	116 units with regard to 12 scrap items removed from the usage and damaged had been stored in the general store premises and no action had been taken to destroy the goods to be destroyed and or auction the goods to be auctioned as per the Financial Regulations.	08 items had been removed and the action will be taken to auction or destroy the remaining items after survey.	The action should be taken in terms of Financial Regulations.

**2. Financial Review**

**2.1 Financial Results**

In accordance with the financial statements submitted, the income exceeding the current expenditure was Rs. 66,721,653 for the year ended 31 December in the year under review and correspondingly, the income exceeding the recurrent expenditure was Rs. 45,788,643 in the preceding year.

## 2.2 Income Administration

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

Income Source	2023				2022			
	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December 31	Estimated Income	Billed Income	Collected Income	Total Outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment Tax and Other Tax	9,050,000	13,187,823	11,809,409	4,050,616	7,847,400	4,069,966	3,571,612	2,672,202
(ii) Rents	8,750,000	9,806,191	10,211,861	1,054,005	8,036,590	4,200,221	3,887,151	1,459,675
(iii) License Fees	3,022,000	1,629,910	1,629,910	-	2,392,000	559,750	559,750	-
(iv) Other Income	24,950,000	21,595,198	21,759,358	-	6,857,000	20,223,707	20,141,627	164,160
	45,772,000	46,219,122	45,410,538	5,104,621	25,132,990	29,053,644	28,160,140	4,296,037

### 2.2.2 Income Collection Performance

	Audit Observation	Comments of the sabha	Recommendation
(a)	Opening balance of Assessment Tax in arrears was Rs. 3,902,720 and an amount of Rs. 7,087,213 had to be charged with the billed amount of Rs.3, 184,493 in relation to 4190 assessment units. Since the total recovery of Rs.2, 916,741 within the year, an amount of Rs.4, 170,472 outstanding balances had existed with regard to 3191 assessment units at the end of year.	An amount of Rs.622, 800 had been recovered in the first quarter of 2024 and a mobile service had been started to recover the balance arrears.	Outstanding revenue should be immediately recovered.
(b)	There were 117 shops on which the rent is paid belonging to sabha and an outstanding amount of Rs.861,270 had to be recovered from 72 shops. An outstanding amount of more than Rs.100, 000 existed with regard to 02 shops and 21 shops of 03 shopping complexes had been closed without usage.	Rs. 37,640 had been further recovered from 02 shops on which more than Rs.100,000 had existed and 06 shops out of closed had been opened.	The steps should be expeditiously taken to recover of outstanding revenue and lease the shops.

- |     |   |  |  |
|-----|---|--|--|
| (c) | In terms of the circular No. දපස/පසාකො/2010/01 dated 27 December 2010 of Local Government Commissioner in Southern Province, no action had been taken to update the valuation of 20 shops in 02 shopping complexes and an amount of Rs.102,500 to be charged from one-off payment had not charged in rent of 03 shops as per paragraph 04 of such circular. | The valuation report for 05 shops in Walasgala Public Market had been received and the final notice had been issued to the lessee for the one-off payment. | The action should be taken as per the circulars. |
| (d) | An amount of Rs.1, 825,000 and Rs.60, 588,464 had to be received from the Chief Secretary and Other officer of sabha for the court fines and the stamp duty respectively.   | An amount of Rs.1, 814,172 and Rs.22, 585,828 had been received up to 30 April 2024 for the court fines and stamp duty respectively.                       | Outstanding income should be promptly recovered. |

### 3. Operational Review

#### 3.1 Discharging the functions entrusted by the Act

The facts observed on regularization and control of public health, public utility services and public thoroughfares under section 3 of Pradeshiya Sabha Act and discharging of the functions such as wellbeing, convenience and welfare of the people to be performed by sabha are as follows.

Audit Observation	Comments of the sabha	Recommendation
The compost had not been manufactured by collecting the degradable waste and those had been disposed to a private land obtained on monthly rent basis.	A suitable land had been selected for compost project and the action will be taken to implement a formal compost project after obtaining the environmental recommendation.	A formal waste management system should be introduced.

### 3.2 Management Inefficiencies

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
(a) In terms of section 23 of Pradeshiya Sabha Act No.15 of 1987, even though the roads, culverts and bridges had been identified and completed surveying in relation 06 Grama Niladhari Divisions out of 48, the mapping of such roads had not been completed.	Presently, 30 divisions had been completed mapping and the action will be promptly taken to complete the mapping of balance 18 divisions.	The action should be taken in terms of the Act.
(b) As per Rule 212 of Predeshiya Sabha 1988 (Financial & Administrative), the material purchased incurring Rs.322, 707 for 03 programs had not been documented.	It couldn't be included into the stores receipts document by a mistake and the action will be taken not to occur such mistakes in the future.	The action should be taken as per the rules.
(c) A commission of Rs. 126,500 had been paid to an office assistant employee of sabha for the duty of collection of tax in Dickwella weekly fair since 04 March 2021 deviation from the provisions of rule 180 of Pradeshiya Sabha (Financial and Administrative) 1988.	An office assistant employee had been engaged for the assistance of Revenue Inspector and the steps will be taken as per the letter issued by the Local Government Commissioner in relation to payment of tax commission of public fair.	The action should be taken as per the rules.
(d) The duties had been assigned to 09 laborers in the primary level who work in sabha without assigning duties in relation to the post an amount of Rs.4, 157,574 had been incurred from the sabha fund with regard to the year under review for that.	The action will be taken to be engaged in the specified duties related to the post.	The specified duties should be assigned relevant to the post.

### 3.3 Operational Inefficiencies

Audit Observation	Comments of the sabha	Recommendation
(a) In terms of section 149 of Pradeshiya Sabha Act No.15 of 1987, the action had not been taken to charge the 1 percent license fee from 20 hotels, restaurants and rest houses registered in the Sri Lanka Tourist Board located in the limit of pradeshiya sabha from 2019 to 2023 even up to 13 December 2023	The letters had been issued to the relevant institutions to recover 1 percent tax amount to be recovered and 19 institutions had paid the tax amount.	The action should be taken in terms of the Act.



which was the date of audit. Furthermore, the 1 percent license fee of Rs. 890,226 had been undercharged from 2019 to 2023 from 8 hotels located in the limit of sabha.

- |     |  |  |  |
|-----|--|--|--|
| (b) | The development licenses had not been obtained for 08 buildings which were newly constructed or were being constructed deviation from the provisions in the section 28(1) of the gazette notification No.2235/54 dated 08 July 2021 including the plans and development orders/regulations of Urban Development Authority 2021 and no action had been taken to charge a fee of Rs.1,187,570 for 03 building applications on which the plans had been rejected for approval but constructed as per the second schedule of the gazette notification and formalize the constructions. | It had been informed in writing to legalize the unauthorized constructions and the necessary action will be taken to charge the relevant approved covering fee having followed the legal action for building plan. | The action should be taken as per the gazette notifications. |
| (c) | 02 buildings in area of 172.4 square meters, a wooden hut 20.25 square meters and a boundary wall in length of 17 meters had been erected not in compliance with the building plan approved in July 2020 for the construction of a two storied building. No action had been taken to formalize or remove after examining on the above constructions and charging the relevant penalty fee.   | The necessary action will be taken to charge the relevant approved covering fee having followed the legal action.  | The action should be taken as per the gazette notifications. |
| (d) | Even though 27 land parcels had been sold without fulfilling the conditions indicated in the development license issued by the planning committee of the sabha for the Narangahahena land subdivided located in Dambagasara, Aluthgoda, Dickwella, 1 percent fee to be charged from that had not been charged to sabha.  | The action will be taken to charge the approved covering fee in obtaining the approval of land subdivision having fulfilled the conditions and charge 1 percent fee also.  | The action should be taken as per the Act.                   |
| (e) | The civil engineering report had been submitted on 09 August 2021 prior to commencement of the constructions as per the conditions enforced from the development licenses for sale the land Wannigewatta, Kattadigewatta, Medegodawatta, Okandeara   | On 04 August 2021, the field test had been done by Technological Service Officer and it had been observed that relevant roads and drainage system had  | The action should be taken to obtain the accurate reports.   |

Koratuwa located in Babaranda after subdividing into 16 parcels.(except roads and drainage) Accordingly, it was observed in the audit that false chartered civil engineering reports had been obtained without proper examination.

been developed and when inquiring about that from the auctioneers, the constructions had been carried out during Corona pandemic and relevant chartered engineering report had been submitted to sabha.

- |     |  |   |   |
|-----|--|---|---|
| (f) | 14 parcels had been sold without obtaining the certificate of conformity up to 13 December 2023 deviation from no.8 and No.10 conditions of the development permit including the conditions to be fulfilled prior to making the parcels of the land named Liyana pathirane gedera watta allocated to 16 parcels and 03 residential buildings were being constructed in 03 parcels. | The certificate of conformity had been obtained for land subdivision No.SD/2020/226 and SD/2020/227 under decision No.09 and 10 of the planning committee dated 21 December 2021. | The action should be taken as per the conditions. |
|-----|--|---|---|

### 3.4 Transactions of Contentious Nature

Audit Observations	Comments of the sabha	Recommendation
(a) An amount of Rs.203, 200 had been paid to an external party from sabha funds in 2022 and 2023 for providing of transport facilities required for the officers in sabha for the conference conducted annually by Provincial Management Services Officers' Association.	The approval had been granted by Southern Province Governor's Secretary Office.	The action should be taken as per the Establishments Code, Financial Regulations and the circular provisions.
(b) It was observed in the sample test check that an amount of Rs.342,000 had been obtained informally from 09 businesses for preparing and fixing the bill boards. A formal method, procurement process and accounting method had not been followed for the collection of such money.	The bill boards had been prepared as per the prescriptions provided by sabha by incurring the expenses by the relevant institutions and those had been given in writing as donations. The letters had been issued in writing by extending the thankfulness.	A formal method should be adhered.
(c) An amount of Rs. 1,045,230 had been obtained by an employee who had	It had not been requested in writing by the community development societies to	The action should be taken as per the circulars.

performed that contract from sabha fund by implying that 02 contracts worth of Rs. 1,316,723 will be handed over to an approved society deviation from the provisions of Public Finance Circular No.01/2021 dated 29 September 2021 and it had been planned to be carried out another 02 contracts worth of Rs.2,777,087.

- |     |  |   |   |
|-----|--|---|---|
| (d) | The tenders had been called only from the approved societies deviation from Rules 177 and 178 of Rules 1988 (Financial and Administrative), Procurement Guidelines 2006 and the provisions of the Public Finance Circular No.01/2021 dated 29 September 2021 for the selection of the contractors for 08 projects with estimated value of Rs..6,500,673. | The all tenders on which the quotations had been called only from approved societies had been canceled and the necessary action had been taken to call the tenders after registering the tenderers in relation to 2024. | The action should be taken as per the legal provisions. |
|-----|--|---|---|

### 3.5 Procurement Management

Audit Observation	Comments of the sabha	Recommendation
As per 3.4.1 of the Procurement Guidelines, an amount of Rs. 144,500 had been incurred from sabha funds for the hall facilitates and food required for the officers who had participated for a capacity development training program without selection of the institute based on the minimum quotations.	The action will be taken to select the institute based on the minimum quotations as per the Procurement Guidelines for the training programs conducted paying the money in due course.	The action should be taken as per the Procurement Guidelines.

### 3.6 Human Resources Management

Audit Observation	Comments of the sabha	Recommendation
(a) The duties had been assigned to 09 laborers in the primary level who work in sabha without assigning duties in relation to the post an amount of Rs.4, 157,574 had been incurred from the sabha fund with regard to the year under review for that.	The action will be taken to be engaged in the specified duties related to the post.	The specified duties should be assigned relevant to the post.

- (b) The loan balance of Rs. 808, 086 to be charged from 09 employees who worked, transferred, vacated the post, retired and died at the end of the year under review had been remained not charged since many years. Presently, the loan balance of several employees had been recovered and the action will be taken to recover other loan balances in due course. It should be immediately recovered.