

Dikwella Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Dikwella Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial and operational performance, statement of changes in net assets and 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 Sub Section 172 (1) of the Pradeshiya Sabha Act No.15 of 1987 and the Sub Section 10 (1) 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 statement of financial positions as at 31 December 2024 of the Dikwella Pradeshiya Sabha and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I expressed qualified opinion 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 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:

- 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 the 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 Industry;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources 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 includes special provisions regarding the 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 included all the recommendations made by me in the previous year described in paragraph 1.6 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 Observations	Comments of the Council	Recommendation
(a) The payable balance of creditors relating to 34 industries had been over-accounted by Rs.7.09 million.	That the accurate accounting will be carried out.	The balance of industrial creditors should be accounted at the correct value.
(b) Expenditures of Rs.2.90 million incurred for 03 constructions had not been capitalized.	Action will be taken to correct it.	The expense should be capitalized.
(c) Although an agreement had been entered into with a private entity on 28 January 2025 to manufacture 2 tractor trailers on behalf of the council, a creditor balance of Rs.1.40 million had been included in the financial statements for the year under review.	Action will be taken to correct it.	Accurate accounting should be done.
(d) The value of 9 asset items, which were not included in the fixed assets register and had a total value of Rs.3.36 million, had been stated under lands and buildings in the financial statements.	Action will be taken to correct accounts.	All physically existing lands belonging to the council should be accounted under lands and buildings, and items that cannot be physically verified should be removed from lands and buildings and accounted for as a separate item.

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| (e) | The value of the building located at the Walasgala Market had been understated by Rs.1.12 million. | Action will be taken to correct it. | The correct building value should be accounted. |
| (f) | Solar panel electricity income of Rs.0.29 million had not been accounted in the year under review. | Action will be taken to correct it. | Solar panel income for the last 3 months should be properly accounted. |

1.6.2 Un-reconciled Control Account

Audit Observations	Comments of the Council	Recommendation
There was a difference of Rs.160.68 million between the balances related to 05 accounting objects shown in the financial statements and the balances shown in the relevant supporting documents.	Action will be taken to correct it.	Action should be taken to correct the accounts by comparing the differences in the relevant balances.

1.6.3 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Council	Recommendation
Due to the failure to submit the updated fixed assets register, the balance of lands and buildings amounting to Rs.189.57 million could not be satisfactorily examined during the audit.	Action will be taken to correct it.	Action should be taken to correct the accounts by comparing the differences in the relevant balances.

1.7 Non- Compliance

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following are examples of non-compliance with laws, rules, regulations and management decisions.

Reference to Laws, Rules and Regulations etc.	Non- Compliance	Comments of the Council	Recommendation
Section 134(1) of the Pradeshiya Sabha Act, No. 15 of 1987	Although more than 2 years have passed since 07 assessment area of authority were identified and	Information has been submitted to the Valuation	The property should be promptly assessed and the

declared as developed areas, those Department and there assessment should properties had not been assessed has been no response be collected. and action had not been taken to until now. levy assessments by the end of the year under review.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the revenue exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.52.98 million, and correspondingly, the revenue exceeding the recurrent expenditure of the previous year was Rs.66.72 million.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

According to the information submitted by the Secretary, the following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

Source of Revenue	2024				2023			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment and Taxes	8,658,000	10,705,277	10,768,162	3,987,731	9,050,000	13,187,823	11,809,409	4,050,616
(ii) Rent	9,234,150	11,128,210	11,905,850	276,365	8,750,000	9,806,191	10,211,861	1,054,005
(iii) License fee	1,872,500	2,089,955	2,033,030	56,925	3,022,000	1,629,910	1,629,910	-
(iv) Other Revenue	10,010,700	25,222,211	20,214,501	5,007,710	24,950,000	21,595,198	21,759,358	-
	----- 29,775,350 =====	----- 49,145,653 =====	----- 44,921,543 =====	----- 9,328,731 =====	----- 45,772,000 =====	----- 46,219,122 =====	----- 45,410,538 =====	----- 5,104,621 =====

2.2.2 Performance in collecting Revenue

The following are observations regarding the revenue collection performance of the council.

(a) Assessment

At the end of the year under review, there was an arrears balance of Rs.3.99 million in respect of 2921 assessment units, out of which a balance of Rs.958,814 in respect of 565 assessment units was due for more than 5 years. Also, the number of units with arrears balances exceeding Rs.5,000 included in the arrears balance was 143.	16.07 percent was collected in the first quarter of 2025.	A formal program should be developed and implemented for the prompt recovery of arrears of revenue.
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(b) Rent

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| <p>(i) At the end of the year under review, there was an arrears rent balance of Rs.276,365, and an arrears income of Rs.182,615 was due for 20 shops out of 117 shops owned by the council. Out of this, a balance of Rs.84,960 in respect of one shop had been due for more than 5 years.</p> | <p>It is stated that an amount of Rs.123,005 has been collected as of March 31, 2025 out of the arrears balance of Rs.276,365 and a letter has been sent to the Registrar of the Matara District Court seeking advice.</p> | <p>A formal program should be developed and implemented for the prompt recovery of arrears of revenue.</p> |
| <p>(ii) The 03 shops owned by the Council had been sub-leased to other parties, in violation of the provisions of paragraph 11 of the Circular No.SPP/LGC/2010/01 dated 27 December 2010 of Southern Province, Local Government Commissioner.</p> | <p>That the necessary action will be taken in the future.</p> | <p>Legal action should be taken as sub-leased cannot be paid as per the circular.</p> |

(c) Other Income

Rs.1.03 million of court fines and Rs.29.50 million of stamp duty were due from the Chief Secretary of the Provincial Council and other officers as of December 31 of the year under review.	This balance also includes hypothetical values.	A formal program should be developed and implemented for the prompt recovery of arrears of revenue.
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3. Operational Review

3.1 Performance of functions assigned by the Act

The following are the observations made regarding the performance of the functions that the council was required to perform under Section 3 of the Pradeshiya Sabha Act, namely, to regulate and control matters

relating to public health, public utility services and public roads, and to ensure the comfort, convenience and welfare of the people.

Audit Observations	Comments of the Council	Recommendation
(a) Under Section 126 of the Pradeshiya Sabha Act, although revenue could have been collected by enacting by-laws for the purposes of maintaining private and Ayurvedic massage centres, maintaining the Seetagalla swimming pool and registering three-wheeler parking lots, this had not been done by the end of the year under review.	Letters have been sent to the Assistant Commissioner of Local Government.	Action should be taken to collect revenue by enacting by-laws within a specific time frame.
(b) The biodegradable garbage collected within the council area was being disposed of on a private land acquired on a monthly rental basis and the non-biodegradable garbage was being piled up in the vehicle yard of the council premises, and a formal program had not been prepared for garbage management.	A suitable land has been selected and recommendations from the Central Environmental Authority have been obtained, and action will be taken to purchase the land after obtaining valuation reports.	The land should be purchased promptly and a formal garbage management system should be introduced within a specific time frame.
(c) Although public complaints should be dealt with promptly in accordance with Public Administrative Circular No.11/2015 dated 20 May 2015, action had not been taken regarding 57 public complaints received by the Council in the year 2024.	That there are insufficient facilities to conduct field inspections.	Public complaints should be responded to promptly.

3.2 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendation
The Council had not taken action to implement 26 industries for which provisions of Rs.58.61 million had been made in the budget for the year under review.	The projects could not be implemented due to insufficient time and the use of funds for other projects.	Provisions should be made only for projects that can be implemented practically.

3.3 Operational Inefficiencies

Audit Observations	Comments of the Council	Recommendation
When the land called Kalagamagehena Madawalagawa or Damiyangodahena was subdivided and sold, the 01 percent fee required to be charged on the sale value of the plots as per Section 154(1) of the Pradeshiya Sabha Act No.15 of 1987 had not been collected from the council, and 03 conditions of the development permit had not been fulfilled.	Letters have been sent to inform the council that the conditions and other conditions relating to the land have been completed and that action will be taken to collect a fee of 01 percent of the sales price.	All conditions should be fulfilled as agreed and action should be taken to promptly recover the amount due to the council.

3.4 Assets Management

Audit Observations	Comments of the Council	Recommendation
The title deeds of 06 land plots, measuring 01 acre, 02 roods and 79.09 perches owned by the Council had not been prepared and taken over by the Council.	That the necessary actions will be taken to take over in the future.	Title deeds should be prepared and handed over to the council.

3.5 Procurement Management

Audit Observations	Comments of the Council	Recommendation
The vehicles owned by the Council were repaired on 10 occasions at a cost of Rs.4.59 million and when selecting a supplier to carry out those repairs, the repairs were carried out directly without obtaining the recommendation of the Motor Mechanical Consultant/Mechanical Engineer was obtained in accordance with Guideline 8.1 of the Procurement Guidelines 2006, and after submitting them to the Procurement Committee.	That has now been corrected.	Action should be taken in accordance with the provisions of the Procurement Guidelines, and appropriate action should be taken against officers who fail to act accordingly.

3.6 Human Resource Management

Audit Observations	Comments of the Council	Recommendation
(a) The Council had not taken action to regularize the 14 surplus positions in the staff plan.	Requests have been made for approval of positions.	Staff requirements should be reviewed and appropriate action should be taken regarding surplus positions.
(b) The total debt balance of Rs. 0.65 million due from 09 employees who served in the council, transferred, vacated the service, retired and deceased remained uncollected for a period of 02 to 19 years.	That the action will be taken to settle the loan balances in the future.	Arrears loan balances should be promptly recovered within a specified period of time.
(c) The 08 field workers and a driver of the council were assigned other duties without the duties assigned to their positions, and Rs.3.72 million were spent from the council funds as salaries for the period from January to September 2024.	That, the positions are filled based on ability and experience based on the vacancy.	Recruitment should be made after ascertaining the actual need when recruiting staff and they should be engaged in the duties related to the position.
(d) An office assistant employed by the council was assigned the duty of collecting taxes at the Dikwella fair from 20 March 2023 and had been paid a commission of Rs.94,704 for the period from January to September 2024.	Although 03 revenue inspector positions have been approved, there is currently only one revenue inspector and therefore these duties have been assigned with the approval of the Finance Committee.	An office assistant should not be assigned in such responsible financial tasks and a suitable officer should be temporarily assigned to the relevant task.