

Sooriyawewa Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 22 May 2015 while Financial Statements relating to the preceding year had been submitted on 26 April 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 10 August 2013.

1.2 Qualified Opinion

Because of the significance of matters described in paragraph 1.3 of this report, I am of opinion that the financial statements do not give a true and fair view of the financial position of the Sooriyawewa Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a.) Although it had been stated erroneously according to the financial statements submitted that the value of total net assets and liabilities is equal to Rs.137,335,911, the correct value of total net assets was Rs. 134,937,042 and the total value of net liabilities was Rs.128,247,902 and therefore there was a difference of Rs. 6,689,140 between the total net assets and liabilities

- (b.) Although the correct total value of credit balance of the Surpluses and Deficiencies of the Accumulated Fund Account maintained in the Main Ledger was Rs. 13,892,227, it had been erroneously shown as Rs. 22,980,235. Although the correct credit balance of the Surpluses and Deficiencies of the Accumulated Fund Account as at the end of the year was Rs. 3,422,934, it had been shown as Rs. 12,510,942 in the Ledger Account, overstating in a sum of Rs. 9,088,008.
- (c.) Instead of bringing forward the General Debtors Account Balance of Rs. 2,520,250 as opening balance in the Ledger Account, that amount had been credited to the Work Debtors Account having debited the General Debtors Account. Due to that, the value of Work Debtors had been understated in a sum of Rs. Rs. 2,520,250.
- (d.) While a sum of Rs. 1,080,310 provided under Debtors for the preceding year relevant to two Provincial based specific works and a sum of Rs. 495,000 for 02 works relevant to Maga Neguma had been received on 12 August 2014 and 19 December 2014 respectively, those amounts which should be credited to Debtors Account had been included in the Capital Grants Account as a revenue for the year under review.
- (e.) Interest amounting to Rs. 19,789 received for the Employees Security Deposit Investments had been credited as Rs. 131,500 to the Employees Security Deposits Liabilities Account causing overstatement of that account in a sum of Rs.111,711.
- (f.) While the value of 07 items of Fixed Assets totalling Rs. 582,694 had not been capitalized, out of the sum of Rs. 661,245 spent for the construction of Vehicle Yard, a sum of Rs. 377,740 only had been capitalized.

1.3.2 Lack of Evidence for Audit

Any details of schedules or clarifications relevant to Debits amounting to Rs. 10,469,294 and Credits amounting to Rs. 1,744,168 made to the Accumulated Fund through seven Journal e Entries were not furnished to audit.

2. Financial and Operating 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 2014 amounted to Rs.2,026,432 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 1,445,876.

2.2 Revenue Administration

2.2.1 Performance in collection of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,937	755	-
(ii.) Lease Rent	20,948	8,908	1,429
(iii.) Licence Fees	1,881	1,970	19
(iv.) Other Revenue	63,129	43,275	19,722

2.2.2 Rates and Taxes

(a.) Leasing out Weekly Fairs and Fish Stall

Action in terms of Rule 177 of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988 had not been taken to lease out Sooriyawewa and

Venivelarra Weekly Fairs belong to the Sabah by calling for tenders. Although a Lessee had applied through the letter dated 07 March 2014 to take on lease the Sooriyawewa Weekly Fair for a sum of Rs. 9,000,000 for the period from April to December 2014, any attention had not been made for that. While the total revenue collected during the year 2014 by the Sabha was Rs. 6,843,554, a sum of Rs. 1,191,353 out of that had been as commission to the tax collectors. It was observed that a large sum of money more than the amount collected by the Sabha could have been collected, if action was taken to lease out this Weekly Fair to the applicants.

(b.) Failure in obtaining Approval for Waiver of Revenue

It had been decided not to recover taxes from the agricultural produce due to drought condition prevailed for the three months period from 11 February to 11 May 2014 by the Sabha at the meeting held on 11 February 2014. While the average tax revenue lost due to this decision relevant to this period was Rs. 1,103,949, the approval of the Minister had not been obtained for waiver of revenue exceeding Rs. 50, in terms of Section 182 of the Pradeshiya Sabha Act No. 15 of 1987.

(c.) Stalls Rent

(i.) Arrears of Stalls Rent

Although there were arrears totalling to Rs. 606,900 as at 31 December 2014, action in terms of Section 159 (1) of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover these amounts in arrears.

(ii.) Non-recovery of Lump Sum Money

While action had not been taken according to paragraph 4 of the Circular No.SLG/CLG/2010 effective from 01 January 2011 with regard to lump sum money, necessary course of action had not been taken to recover lump sum money in arrears since the year 2008 totalling Rs. 822,362 as at the end of the year under review.

(iii.) Failure to Handover the Stalls to Lessees on the Specified Date

A sum of Rs. 1,025,000 had been obtained from 4 tendered individuals who applied for the highest price having called for tenders on 30 July 2010 for obtaining 4 stalls after construction in the land called “Sooriyawewa “Singhithi Uyana”. Although it had been agreed to provide stalls within 03 months after payment of money, action had not been taken accordingly and cases had been filed against the Sabha by the tendered individuals on 18 February 2013. While Construction Works of stalls had not been completed even as at 31 December 2014, a totalled sum of Rs. 102,000 had to be paid by the Sabha as case fees due to failure in handing over the stall after construction according to the agreed conditions.

2.2.3 License Fees

Action in terms of Sections 149 and 150 (4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken for the recovery of License Fees in arrears amounting to Rs. 73,450 as at 31 December 2014.

2.2.4 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs. 1,847,939 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2013.

3. Operating Review

3.1 Identified Losses

While a part of goods purchased for the proposed Compost Project had been lost, it had been recommended to recover a sum of Rs. 101,500 from the parties responsible relevant to that loss as required in terms of Financial Regulation 104 of the Republic of Sri Lanka. However, that money had not been recovered even as at 03 March 2015, date of audit.

3.2 Contracts Administration

Following matters are observed.

- (a.) Although it has been informed according to the paragraph 01 of the letter No.MPH/HYW/MNG/Cer/14-1 dated 02 July 2014 of the Secretary to the Ministry High Ways, Ports and Navigation, that estimates should be prepared without including 10 per cent additional cost to be added in the transportation of raw material for the roads development works implemented under Maga Neguma Rural Roads Development Programme, action had not been taken accordingly, for 11 Works implemented by the Sabha. Due to that, a sum of Rs. 52,146 had been overpaid.
- (b.) At the physical inspection of 06 Works implemented by the Sabha, carried out on 02 and 03 March 2015, it was observed that a totalled sum of Rs. 393,084 had been over paid relevant to concrete edges constructed on two sides of the road, leveling works and metal dust.

3.3 Solid Waste Management

While selection of the location and purchase of material required for the erection wire net fence had been done by the Pradeshiya Sabha for the Solid Waste Management Project, action had not been taken even up to 31 December 2014, to complete the relevant work by utilizing material purchased 31 December 2011 for a sum of Rs. 1,065,900.

4. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management