

Sooriyawewa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sooriyawewa 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 Performance, statement of changes in net Assets, 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 Sooriyawewa 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 Practices.

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 Practices 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

Accounting Deficiencies	Comment of the Sabha	Recommendation
(a) The unbilled Shop room Rent for 08 Shops in the Bus Stand Line 08 from June 2016 to May 2022 amounting to Rs. 1,526,400 had not been accounted as income and balance receivable during the year under review.	The Sabha approval has been received not to bill until the ownership of the shop rooms is legally obtained.	Receivable income should be properly accounted.
(b) Fixed deposit interest of Rs.206,250 receivable at the end of the year under review had not been accounted.	Such errors will not occur in the coming year.	Receivable income should be properly accounted.
(c) The receivables salary reimbursements of Rs. 2,487,706 had not been accounted at the end of the year under review.	Such errors will not occur in the coming year.	Receivable income should be properly accounted.
(d) The stamp fees income of Rs. 700,000 given by the Local Government Department in last year had been accounted as a current liability even at the end of the year under review.	Such errors will not occur in the coming year.	Income should be properly accounted.
(e) For 05 unfinished construction work under Rural Road Development Program (2021) the construction creditors and debtors had been overstated by amount of Rs. 10,000,000 for above construction work at the end of the year under review.	The action will be taken to correct in next year	The provision for Debtors/creditors should be done only for construction work that have completed.

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| (f) | For the 16 rural road projects implemented under the Rural Road Development Program (2021), construction work creditors and debtors had been overstated by Rs. 913,907 at the end of the year under review, | The correction will be made in preparing the financial statements for the next year. | Debtors/Creditor Provisions should be properly accounted. |
| (g) | For the year under review Rs. 463,088 had been accounted under various deposits without being accounted under Income donation. | The correction will be made in preparing the financial statements for the next year. | Income should be properly accounted. |
| (h) | The value of 03 development projects implemented by the Sabha fund of Rs. 2,466,547 during the year under review, had not been accounted under capital income and capital expenditure however was accounted under recurrent income and recurrent expenditure. | The correction will be made in preparing the financial statements for the next year. | Income and expenditure should be properly identified and accounted. |
| (i) | Construction of 35 mobile stalls for low-income earners was not fulfilled. even though the contract agreement has been suspended, Rs. 4,549,650 as industrial debtors and creditors were accounted for those work at the end of the year under review. | The correction will be made in preparing the financial statements for the next year | The debtor/creditor provision should not be made for construction work whose agreement have been cancelled. |
| (j) | The non-reimbursed street light maintenance charges due to non-contract with the Electricity Board amounted to Rs.469,824 during the previous year and the year under review had been accounted as income receivable. | The correction will be made in preparing the financial statements for the next year | Non-contractual income should not be accounted as income receivable. |
| (k) | The value to be capitalized in respect of two construction work amounting to Rs. 501,689 had been overstated in the accounts. | The correction will be made in preparing the financial statements for the next year | Capitalization of assets should be correctly identified and accounted. |
| (l) | The value to be capitalized under land and buildings related to the construction of a gully treatment center on the land of Madunagala waste yard from the Sabha fund, amount should be capitalized overstated by Rs. 350,300 and creditor provisions overstated by Rs. 327,742 at the end of the year under review. | The correction will be made in preparing the financial statements for the next year | Capitalization of assets and allocation of credit provisions should be properly identified and accounted. . |
| (m) | According to the Southern Province stamp duty rivers charter No. 04 of 1994, the amount will not be received to the Sabha of Rs. 317,050 had been accounted as a stamp duty receivable balance. | The correction will be made in preparing the financial statements for the next year | Receivable income should be correctly identified and accounted. |

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
(a)	The Section 134 (1) of the Pradeshya Sabha Act No. 15 of 1987	Actions had not been taken to identify developed areas, assess and collect assessment tax.	The assessment tax had not been levied because it was not possible to perform the task of valuing the property.	The action should be taken in accordance with the Act.
(b)	The Financial Regulations 104 of the Democratic Socialist Republic of Sri Lanka	The loss of Rs.60,900 to be recovered from the contractor due to the misplacement of the reeds purchased to prepare the mesh fence of the compost project had not been recovered by the end of the year under review.	It was not possible to recover the amount due from the contractor.	The action should be taken in accordance with the Financial Regulation.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December amounted to Rs.18,326,764 as compared with excess of revenue over recurrent expenditure amounted to Rs.17,815,568 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)
Other Tax	2,163,000	1,273,390	3,381,060	160,170	2,103,000	3,309,350	1,148,270	2,267,840
Rent	36,585,500	31,583,026	24,767,841	12,220,577	30,952,500	32,807,772	18,097,425	5,405,392
License Fees	1,440,600	1,427,004	2,115,154	886,775	1,338,500	2,032,178	1,144,078	1,574,925
Other Income	4,725,200	7,955,038	5,216,908	4,839,156	39,550,000	50,835,857	44,938,132	2,101,026
Total	44,914,300	42,238,458	35,480,963	18,106,678	73,944,000	88,985,157	65,327,905	11,349,183

2.2.2 Performance in Revenue Collection

Following observations were made regarding the Performance of Collection of revenue of the Sabha.

Audit observation	Comment of the Sabha	Recommendation
(a) The business tax receivable from 83 business units amounting to Rs. 90,230 had not been taken as per Section 152 (1) of the Pradeshiya Sabha Act as at 31 December of the year under review.	The action will be taken to recover the arrears	According to the Act, the arrears of revenue should be recovered promptly.
(b) The action had not been taken to recover Water charges income of Rs. 69,940 that was not recovered by previous years, even at the end of the year under review.	It had been referred to the approval of the Governor for write off.	Arrears of income should be collected as soon as possible.
(c) The action had not been taken to recover the receivables from 65 shops room rent aggregating to Rs. 1,090,997 as at 31 December of the year under review, In that outstanding balance, the outstanding balance between 03 to 05 years and more than 05 years is Rs.22,400 and Rs. was 489,150 respectively.	Rs. 477,028 of the arrears shop room rent were submitted for the Governor's approval to write off and the rest of the arrears will be recovered.	Arrears of income should be collected as soon as possible.
(d) The action had not been taken to recover the key money receivable to the Sabha from 11 shops rooms amounting to Rs. 472,671 even as at 31 December 2022.	Rs.270,991 had been presented to the governor for approval to write off and the remaining arrears will be recovered.	Arrears of income should be collected as soon as possible.
(e) The receivables on lease of trading rights from 17 leased properties amounting to Rs. 10,988,000 had not been recovered at the end of the year under review.	It was submitted for approval to write off a part and for the rest to take legal action and to recover the arrears and to be settled by the security deposit.	Arrears of income should be collected as soon as possible.
(f) The total amount of license fees due from 193 business units for the period between 2019 and 2022 amounting to Rs. 158,500 had not been recovered under Section 149 of the Pradeshiya Sabha Act as at 31 December of the year under review..	The action will be taken to recover the arrears.	Arrears of income should be collected as soon as possible.

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| (g) | The total receivable from 50 Advertising boards amounting to Rs. 719,900 had not been recovered advertising board fees as at 31 December of the year under review. | The action will be taken to recover the arrears. | Arrears of income should be collected as soon as possible. |
| (h) | The Court fines and stamp duty receivable from the Chief Secretary of the Provincial Council as at 31 December of the year under review are amounting Rs.1,789,744 and Rs.927,750 respectively. | The outstanding balances will be brought in in the future | Arrears of income should be brought in as soon as possible. |

2.3 Operating Inefficiencies

Audit observation	Comment of the Sabha	Recommendation
The action had not been taken by the Sabha management to calculate and recover the amount of entertainment tax receivable to the Sabha for the LPL cricket tournament held at Suriyawewa Cricket Stadium in December of the year under review. Also recovered deposit amounting to Rs. 1,000,000 had not been settled.	The deposit will be taken into income.	Arrangements should be made to recover the entertainment tax amount.

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

Audit observation	Comment of the Sabha	Recommendation
(a) An agreement had been entered for the Suriyawewa weekly fair public toilet repair work for Rs. 4,334,750, however the contractor had completed by only Rs. 994,581 of the agreed work value and abandoned the work. Due to the contractor non-compliance with the agreement, the performance Bond of Rs. 216,738 submitted by the contractor had not been taken in to income	The value of performance security received by cheque will be credited to the Sabha account.	Performance security cannot be obtained from cheque and proper performance security should be taken into account.

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| (b) | For the construction of 35 mobile stalls for low-income earners based on the provisions of Provincial Sabhas and Ministry of Local Government, Rs. 4,549,650 was awarded to a contractor. however due to the failure of the contractor to complete the work, the Sabha area had lost a benefit. The value of the bid security to be obtained from the contractor was Rs. 97,482 had been received less, the Sabha fund had occurred a loss of that amount. | A mobile stall value Rs. 129,000 has been given to the Sabha for sample testing. | The value of the bid security should be accurately obtained. |
| (c) | The garbage collected by the Sabha on a daily basis was disposed of informally without separating and the composting waste recycling program which was planned to be started a few years ago was not started even in the year under review. | The waste yard will be prepared and the waste recycling program will be started after receiving the allocation. | Garbage should be recycled. |

3.2 Identified Losses

Audit observation	Comment of the Sabha	Recommendation
(a) While preparing the estimates for the construction work related to the repair of the wire fence and gates in the Weniwelarapola land, according to the estimate, for clearing the forest by not using a fixed rate in the fairground, Rs. 271,394 had incurred a loss to the Sabha fund.	The attention will be paid to the rates used in the preparation of estimates and the manner in which those rates are prepared in the future,	The action should be take regarding overpayments in accordance with the F.R.156
(b) The less late charges amounting to Rs. 107,409 had been recovered in relation to the three industries which had been implemented by the Sabha namely repairing the wire fence and gates in the Venivelara land, developing the Muvanpalassa public stadium and setting up the netting of the Jeenavali Stadium.	10 percent will be deducted from the deposit.	Late charges should be accurately calculated and collected.

3.3 Deficiencies in contract administration

Audit observation	Comment of the Sabha	Recommendation
(a) 157 businesses identified in the business survey In the year under reviewed had not obtained the environmental license and 05 businesses started in the previous years had obtained the trade license for the year 2022 however the environment license had not obtained. The Sabha had not prepared a formal program regarding those businesses.	The action will be taken to encourage businessmen to obtain environmental license.	Businessmen should be encouraged to obtain environmental license

- (b) According to paragraph 06 of the letter No. PE/01/01 dated 17 August 2020 of the Secretary of the Ministry of Electricity and Energy, the approval of the Electricity Board should be obtained for the installation of new street lights, however by the end of the year under review only 531 of from 2886 street lights installed had been approved, so the number of unapproved street lights was 2355. and there was no survey of street lights after the year 2017.
- The action will be taken to obtain the approval for the rest of the street lights and the census will be carried out promptly in the future.
- Proceed as per the letter of instruction a street lighting survey should be conducted

3.4 Assets Management.

Audit observation	Comment of the Sabha	Recommendation
The legal ownership of 09 cemeteries and 02 vehicles of 15 lands owned by the Sabha had not been taken over by the end of the year under review.	That letters have been sent to the relevant agencies to hand over the ownership of land and cemeteries, one vehicle has been taken over and the rest of the vehicle is being taken over.	Legal ownership of assets should be taken over.

3.5 Delays in projects, tasks or capital works

Audit observation	Comment of the Sabha	Recommendation
(a) To install a camera system near the guardroom of Madunagala garbage yard the goods received on 31 December 2021, Rs. 355,950 had been paid on 22 January 2022, the assets were kept in stores till the date of audit, without completing the work of the guardroom and without getting electricity.	The inability to get a new electrical connection for the Madunagala garbage yard caused the delay in the installation of CCTV.	Assets should be put to effective use.
(b) In the budget document prepared for the year under review, Development projects amounting to Rs. 23,250,000 had been planned to be implemented out of 10 development projects, only the project of Rs. 300,000, purchasing equipment for the day care center had been implemented.	Due to the increase in the prices of construction materials, the allocations allocated for the implementation of other development projects are not sufficient.	Budgeted development proposals should be implemented.

3.6 Procurement Management

Audit observation	Comment of the Sabha	Recommendation
Based on the specifications given by the institutions that called for quotations without proceeding according to Section 5.6.1 of the Government Procurement Guidelines 2006, the procurement requirement of the Sabha was determined and the total value at Rs. 1,242,950 had been incurred for purchase of 27 CCTV cameras as at 31 August 2022. Further, the technical evaluation committee did not evaluate the important specification items during the evaluation of the specifications for the installation of CCTV camera systems in the Sabha office premises.	The specifications are prepared by specifying the required locations and also specifying the camera numbers and cable lengths Indoor, Outdoor, night vision while calling for the prices.	The action should be taken in accordance with the Procurements Guideline.

3.7 Deficiencies in contract administration

Audit observation	Comment of the Sabha	Recommendation
(a) Southern Province Development Plan - 2021 under provincial specific grants for 2700 meters length of water pipes in 04 roads in the Sabha area amounting to Rs. 1,982,292 had been paid to the National Water Supply and Drainage Board in the year 2022. however, the distance of the water pipe was 2101 meters and Rs. 438,930 had been overpaid.	The action will be taken more careful in carrying out projects in the future in collaboration with other institutions.	Action should be taken regarding the overpayment, as per F.R. 156.
(b) Provisions had been received from the Local Government Department (South) to provide relief to the people affected by the floods in Hambantota district. Using that provision of Rs. 302,076, Hume pipes with size of 610 mm 22 pipes were purchased in the year 2021 out of that 7 pipes had not been used for the intended purpose and were kept in the Sabha office premises even at the end of the year under review.	The public demands and suitable places to locate the pipes will be checked and placed promptly.	Hume pipes purchased should be used for the intended purpose.

3.8 Human Resources Management

Audit observation	Comment of the Sabha	Recommendation
The approved and actual staff of the Sabha were 59 and 73 respectively (including R.P.C. 25/2014 employees), and the action had not been taken to formalized 20 excesses as at 31 December of the year under review.	The relevant authorities were informed to approve the excess.	The Excesses should be formalized.