

## Sooriyawewa Pradeshiya Sabha - 2023

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Sooriyawewa Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the 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 provisions of the National Audit Act No. 19 of 2018, sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987. 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 financial statements give a true and fair view of the financial position of the Sooriyawewa Pradeshiya Sabha as at 31 December 2023, 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**

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 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 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 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 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**

National Audit Act, No. 19 of 2018 include specific provisions for 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 includes all the recommendations made by me in the previous year 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) In order to use the council's motor grader machine and JCB machine for use development activities in the council's jurisdiction, Rs.4,448,513 transferred in between the income and expenditure accounts of the council, therefore the income and expenditure of the year had been increase from that amount.	That such incomes and expenses will not be recorded in the preparation of accounts for future years.	Revenues and expenses recognized between segments should not be recorded in the financial statements.
(b) The expenditure of Rs.974,067 which had been paid for getting electricity connection for the Madunagala Waste Management Project had not been capitalized.	The action will be taken to correct in the preparation of accounts for the year 2024.	Expenditure should be accurately identified and accounted.
(c) The money transfer of Rs.241,990 between 03 cash accounts were accounted as a current asset without any adjustments to those accounts.	Cash transactions will be recorded accurately in future years.	Transactions between accounts must be properly accounted.
(d) Although Rs.2,089,866 to be reimbursed for the repair of Sooriyawewa Satipola public toilet implemented in the year 2022 should be accounted under industrial debtors, without doing so, it had been accounted for under general debtors.	The expenditure was incurred from the Council Fund, therefore accounted as a debtor of the Council Fund.	Debtor should be accurately identified and accounted.
(e) Although the value spent to construct an electric fence around the Madunagala garbage yard was Rs.1,395,382 excluding labor rent, and Rs.604,618 had been over-accounted , because Rs.2,000,000 was capitalizing under land and buildings.	The action will be taken to correct in the preparation of accounts for the year 2024.	Capital expenditure should be accurately identified and accounted.
(f) Due to allocation of non-contractual creditors of Rs.1, 020,000 for incurring the expenditure for implementation of Diriya Suraksha program in the year 2024, the expenditure and creditor value of the year of under review were over-stated by that value.	That was implemented to increase the nutritional level of pre-school children.	Expenditure should be accurately identified and accounted.

- (g) In relation to the previous year, the salary reimbursement arrears of Rs.500,000 received in the year of under review had not been adjusted to the accumulated fund, and as it was accounted as income of the year, therefore income of the year of under review was overstated.
- That correct adjustments will be made in the preparation of accounts in future years.
- Income should be accurately identified and accounted.

## 1.6.2 Documentary Evidences not made available for Audit

Audit observation	Comments of the Council	Recommendation
Court fines and stamp duty income of Rs.1,700,000 received during the previous and reviewed year was accounted as a liability at the end of the year. And a related classification detail had not been submitted to the audit.	That a classification summary was not submitted to the Council.	Evidence must be submitted to confirm the account balances shown in the financial statements.

## 1.7 Non - Compliances

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
( a ) The Section 134 (1) of the pradeshiya Sabha Act No. 15 of 1987	In the year 2023 also, assessment tax was not charged for 1159 properties located in 02 domains which identified as developed areas in 2017.	That an advance has been paid for obtaining an assessment of assessment tax.	Action should be taken according to the provisions of Act.
( b ) The Section 134 (a) of the pradeshiya Sabha Act No. 15 of 1987	For the healthy nutrition program for only the year 2023, the Governor's approval had been received, and a creditor's provision of Rs.1,020,000 had been set aside for incurring expenses in the year of under review, and Rs.478,207 had been spent by 05 April 2024.	This program was implemented to increase the nutritional level of pre-school children.	Action should be done as per the provisions of the Act.

## 2. Financial Review

### 2.1 Financial Result

According to the presented financial statements, the income exceeding the recurrent expenditure of the council for the year ending December 31 of the year of under review was Rs.16,371,525. Correspondingly, the income exceeding the recurring expenditure of the previous year is Rs.18,326,764.

### 2.2 Revenue Administration

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

Source of Revenue	2023				2022			
	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 taxes } rent License fees } Other income }	2,131,000 41,775,500 1,379,000 4,718,500	2,921,420 45,733,014 1,695,600 4,221,076	2,987,555 51,963,710 2,474,175 6,479,466	94,035 5,989,886 108,200 2,580,765	2,163,000 36,585,500 1,440,600 4,725,200	1,273,390 31,583,026 1,427,004 7,955,038	3,381,060 24,767,841 2,115,154 5,216,908	160,170 12,220,577 886,775 4,839,156
<b>Total</b>	<b>50,004,000</b>	<b>54,571,110</b>	<b>63,904,906</b>	<b>8,772,886</b>	<b>44,914,300</b>	<b>42,238,458</b>	<b>35,480,963</b>	<b>18,106,678</b>

#### 2.2.2 Performance in Revenue Collection

	Audit observations	Comments of the Council	Recommendation
(a)	A total of Rs.877,648 due from 55 shops and Rs.69,500 license fees due from 91 business units for the period between 2019 and 2023 had not been taken in accordance with Sections 159 (1) and 149 of the pradeshiya Sabha Act respectively.	Rs.141,076 and Rs.13,500 have been recovered from the deficit of shop rent and license fees respectively.	Arrears of income should be collected as soon as possible.
(b)	As of the end of the year of under review with respect to previous years, Rs.2,206,556 due on lease of trading rights of 11 tax properties and receivable key money due from 10 shops Rs.452,591 had not been charged.	Out of tax property deficit Rs.907,032 have been charged and Rs.481,239 have been submitted for approval for deduction.	Arrears of income should be collected as soon as possible.

- (c) Court fines and stamp duty due from the Chief Secretary of the Provincial Council were Rs.3,313,665 and Rs.729,500 respectively. That Rs.1,501,000 was received from the court fine deficit. Arrears of income should be collected as soon as possible.

### 3. Operational Review

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.

#### 3.1 Identified Losses

Audit observations	Comments of the Council	Recommendation
The term of official timeframe of the council had ended at 18th March 2023 and although the member allowances, fuel allowances and telephone allowances related to the month of March should be paid only for 18 days, without doing so, the entire allowance for the month of March had been paid. And also the overpaid amount of Rs.86,598 had not been recovered from the responsible parties.	That letters were sent to the House of Councilors to recover the overpaid money.	The overpayment should be recovered from the responsible parties.

#### 3.2 Management Inefficiencies

Audit observations	Comments of the Council	Recommendation
(a) The council fund had lost an income of Rs.351,000 due to non-obtained of environmental license of 78 business units.	Eight industries have obtained environmental permits so far, survey work is being done and necessary measures will be taken.	Action should be made to provide environmental permits
(b) The amount of Rs.118,774 was not charged from 03 building plans in relation to construction of buildings without obtaining approval, carrying out construction works beyond the approved amount, and not obtaining compliance certificate.	Rs.31,033 was recovered and that the remaining balance will be recovered.	Arrears of income should be collected as soon as possible.
(c) Due to the fact that the construction works had not been completed within the relevant time period, in relation to 12 commercial buildings, 20 residential buildings and 05 boundary walls that had	Reminder letters have been sent to the applicants to extend the validity period.	Action should be taken to extend the validity period and charges should be collected.

been approved by the council, and the fees of Rs.185,000 had not been collected on the validity period had extended by one year.

### 3.3 Assets Management

	<b>Audit observations</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	The legal ownership of 07 lands, 07 cemeteries, and 02 vehicles had not been transferred to the Council by the 31 of December.	Necessary actions are being carried out to take over land and cemeteries.	Action should be made to take over the legal rights of the assets as soon as possible.
(b)	Four shops, a library building, a community water project and a water tower, which had been constructed and developed at a cost of Rs.21,608,724 from the council fund, remained idle without being used for any useful purpose.	That there is a case for 04 shops and that the library building is dilapidated, and that the water project has been completed therefore is not being used.	Actions should be taken for effective utilization of assets.
(c)	Two refilled tires of size 750x20 which had been purchased for the use of the council at 3rd November 2012, had not been used for more than 11 years by the end of the year of under review and had exceeded their effective life, but the tires had not been used or disposed.	The action will be taken to be auctioned or disposed of.	Actions should be taken to effectively utilize or dispose of Assets.

### 3.4 Delays in Project Activities or Capital work

	<b>Audit observations</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	Although Rs.355,950 was paid at 22nd January 2022 for the goods received to store at 31st December 2021 for the installation of a camera system near the guardhouse at the Madunagala garbage yard, the assets were not utilized and kept in storage till the date of audit.	That a supplier will be selected and installed to install the camera system.	Action must be taken to be utilized within the warranty period of purchased assets.
(b)	From the budget document prepared for the year of under review, only one development project worth Rs.500,000 had been implemented out of 15 development projects worth Rs.5,500,000 planned to be implemented from the council fund.	That 04 industries worth Rs.02 million were contracted for implementation, and 07 industries worth Rs.1.5 million could not be implemented due to the increase in the price of raw materials.	Development proposals for which provision has been made in the budget should be implemented.

### 3.5 Human Resources Management

Audit observations	Comments of the Council	Recommendation
(a) The 22 excess had not been formalized, since the approved carder and actual working bodies of the council were 58 and 71 respectively.	The requests were made for approval of excess posts.	Action should be made to formalized excess staff.
(b) Action had not been taken to recover the distress loan and festival advance of Rs.250,418 due from an officer who had been suspended since June of the year of under review.	The arrears will be recovered.	Action should be done to recover the employee loan.

### 3.6 Solid Waste Management

Audit monitoring	Comments of the Council	Recommendation
Garbage collected daily by the council was disposed informally without segregation and the composting waste recycling program, which was planned to be started a few years ago, had not been started even in the year of under review.	The compost yard could not be constructed due to lack of provision.	Garbage should not be disposed of irregularly Recycling program should be implemented.