

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 31 March 2017 while Financial Statements relating to the preceding year had been submitted on 31 March 2016. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements give a true and fair view of the financial position of the SooriyawewaPradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Even though it was disclosed that income and expenditure had been accounted in accrued basis, investment interest had been accounted in cash basis.

1.3.2 Accounting Deficiencies

The following accounting deficiencies are observed during the course of audit.

- (a.) The assets that purchased and received as donations, amounted to Rs.131,547, during the year had not been capitalized.
- (b.) The value of the Water Bouser had been capitalized less Rs.15,714.
- (c.) The recurrent expenditure made during the year under review totaled to R.11,074 accounted as capital assets.

1.3.3 Unreconciled Control Accounts

Differences had been shown between the total balances of two items of accounts amounted to Rs.267,563 and their balance in the schedules.

1.3.4 Suspense Accounts

Action had not been taken to identify and settle the credit balance in the suspense account at the end of the preceding year of Rs.589,543 during the year under review.

1.3.5 Accounts Receivable and Payable

(a.) Accounts Receivable

Water charges from 300 water consumers of Rs.403,454 had not been recovered during the year under review.

(b.) Accounts Payable

- (i.) Action had not been taken to settle the sundry debtors balance and industrial debtors balance respectively amounted to Rs.1,207,976 and Rs.15,170,137 during the year under review.
- (ii.) The sum of liabilities not settled amounted to Rs.16,466,967 to the date 31 December 2016.

1.3.6 Lack of Evidence for Audit

Title deeds, vesting orders had not been presented on lands and buildings totaled to Rs.18,600,000 therefore ha not been satisfactorily observed in the audit.

1.3.7 Non-compliance with Laws, Rules, Regulations etc.

The following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to Laws, Rules, Regulations etc.,	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988 Rule 193	Statement had not been presented for surpluses and deficits under each item of income and expenditure when compared to the budgeted provisions and supplementary.
(b) Financial Regulations of the Republic of Sri Lanka 571(3)	Action had not been taken on expired industrial retention money for the year 2013 and 2014 totaled to Rs.264,239.
(c) Paragraph 4.3(e) of the letter of the Director of Public Finance No.PED/RED/2015/08 General(i) of 09 October 2015.	Action had not been taken to recover loan balances totaled to Rs.73,600 of two retired officers.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.6,657,170 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.471,652. Accordingly, an improvement amounting to Rs.7,128,822 is shown in the financial results of the year under review.

2.2 Analytical Financial Review

The following matters are observed.

- (a) Recurrent expenditure at a high rate about 87 per cent of the total revenue during the year under review and according to the audit comments it did not disclose a satisfied state for financial management.
- (b) Revenue Aid had been shown a continuous improvement in every year but, self-generated income had been shown deterioration compared to the preceding year during the year under review.

2.3 Revenue Administration

2.3.1 Performance of Revenue Collection

The following observations are made on performance of revenue collection as at 31 December 2016.

- (a) Revenue had been collected amounted to Rs.3.08 million, from the revenue billed amounted Rs.6.46 million during the year under review. Accordingly the progress of the performance of collection of revenue had been 48 per cent.
- (b) The sum of revenue receivable at the end of the year under review had been Rs.2.99 million, from that Rs.0.78 million had been recovered. Accordingly the progress of receivable revenue collection had been 26 per cent.

2.3.2 Lease Rent

Following observations are made.

- (a.) Stall Rent
Stall rent amounted to Rs.847,550 and late penalties amounted to Rs.91,005 from 40 stalls owned by the Sabha had been receivable as at 31 December 2016. Action had not been taken to recover that receivable amount of money according to Section 159(1) of Pradeshiya Sabha Act No.15 of 1987.
- (b.) One off money
 - (i.) Action had not been taken under the Paragraph 4 of the Circular No.දපපා/පපාකො/2010/01 of Commissioner of Provincial Councils on 27 December 2010 to recover the one off money, Because of that reason a sum of Rs.350,992 had been receivable as at 31 December 2016.
 - (ii.) One off money totaled to Rs.292,592, from 07 shop owners of shops line 26 near Sooriyawewa Weekly Fair and a shop owner of a shop near Sooriyawewa Bus Stand, remained receivable since the year 2011.

(c.) Approaching to Written Agreements

04 Stalls had been leased out without written agreements according to the Section 173 of the Pradeshiya Sabha Act No.15 of 1987.

2.3.3 Licence Fees

Action had not been taken to recover receivable Licence Fees amounting to Rs.38,250 from 61 business units as per the requirements of section 149, 150,151 and 152 of No.15 of Pradeshiya Sabha Act No.15 of 1987.

2.3.4 Court Fines and Stamp Fees

Court Fines Rs.2,621,656 and Stamp Fees Rs.189,000 were receivable from the ChiefSecretary to the Southern Provincial Council and other authorities as at 31 December 2016.

3. Operating Review

3.1 Operational Inefficiencies

3.1.1 Maintenance of Street Lamps

Street Lamps within the territory had not been properly applied to Ceylon Electricity Board and installed under the Circular No.PE/01/01 on 17 August 2010 of Ministry of Power and Renewable Energy, therefore reimbursements had been claimed only for 531 out of 1583 Street Lamps that maintained by the Sabha Fund.

3.2 Assets not Acquired

Actions regarding acquiring legal possession of 08 Lands used by the Sabha had not been finished during the year under review.

3.3 Idle Assets

Action had not been taken on a Cab cost of Rs.625,000 been removed from running since June 2016 to repair and put on running as at 31 March 2017.

3.4 Construction of Sooriyawew Fish Market

Fish Market constructed under the “PuraNeguma” Project had been finished its constructions in February 2016, even though it had not been opened for the public consumption to the date 31 March 2017.

3.4 Solid Waste Management

The following matters are observed.

(a.) A part of waste that had been collected by the Sabha dumped irregularly to a 5 Acre land in Madunagala area since 13 years, this had been lead to collect water in plastic, glass, clay pots and tyres and increased the population of infectious flies and mosquitoes.

(b.) A part of the land had been used for burning waste without any consent if it releases any harmful gasses to the environment and radioactive waste that can harm for environment and species.

- (c.) Elephants, Cattle and other wild animals had been entered to the garbage outlet and external parties also dumped waste in that land because a protective fence had not been built around the land.
- (d.) Manufacturing Compost from the waste collected had not been started to the date 08 February 2017. Goods cost of Rs.101,500 purchased on 30 December 2011 to build a net fence for the Compost project had been misplaced and another part had been used to build a fence around the premises of the Sabha and to build a garage.

3.5 Human Resource Management

There had been an excess of 12 persons for 06 posts and a vacancy for another post according to the approved Cadre. Action had not been taken to regulate the excess staff and to fill the vacancy.

4. Good Governance and Accountability

4.1 Budgetary Control

It was observed that provisions amounted to Rs.5,265,000 made for 49 items of expenditure had been completely left, savings of provisions made on another 05 items of expenditure totaled to Rs.27,545,396 , and 03 items of revenue objectives that had not been achieved totaled to Rs.14,958,734, therefore the budget had not been used as an effective management control tool.

5. 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.) Human Resources Management
- (d.) Budgetary Control
- (e.) Contract Administration