

Sooriyawewa Pradeshiya Sabha

Hambantota District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted to Audit on 28 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman on 28 June 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Sooriyawewa Pradeshiya Sabha as at 31 December 2017 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 accounting deficiencies were observed in audit.

- (a) Provision for Creditors had not been made for the sum of Rs.57,500 payable to the Survey Authority for vesting the Weekly Fair ground at Mahagalwewa.
- (b) Mike Stand valued at Rs. 36,500 purchased for the town hall had not been accounted as a fixed assets.
- (c) Value of aluminium door amounting to Rs.18,000 . purchased for the stores had not been capitalized.
- (d) Stock of Consumable Goods valued at Rs.102,773 as at 31 December of the year under review had not been accounted,
- (e) Recurrent expenditure amounting to Rs. 88,732 paid during the year 2016 for repairing and improvements to latrine in the Alioluarra Fair Ground had been accounted as a capital expenditure of the year under review.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

- I. Ten percent Retention Money totaling Rs. 969,024 receivable relevant to seven works performed during the year 2016 had not been recovered even up to the end of the year under review.
- II. Water Bills Charges amounting to Rs. 244,288 were due to be recovered from 237 water consumers as at the end of the year under review.

(b) Accounts Payable

- I. Action had not been taken to settle sundry works and water supply creditors amounting to Rs. 12,567,971 as at the end of the year under review.
- II. Employee's security balances valued at Rs. 152,174 payable to 22 employees who are not in service of the Sabha at present had not been settled.
- III. A sum of Rs. 5,278 was payable as interest on account of property loans as at 31 December 2017.

1.3.3 Lack of Evidence for Audit

Four items of accounts totaling Rs. 11,690,681 could not be satisfactorily vouched in audit due to non-rendering of required information.

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

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to laws, rules, regulations and Management decisions	Non-compliance
(a) Section 134 (1)	Works relating to new assessments of rated had not been finalized even as at the end of the year under review.

(b) Section 152 (2)

Action had not been taken to recover taxes from professionals practicing in the area of authority of the Sabha.

2. Financial 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 2017 amounted to Rs. 7,072,724 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. .6,657,170.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown below.

Source of Revenue	2017				2016			Arrears as at 31 December
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i Rates and Taxes	1,115,000	813,030	810,180	18,100	7,820,000	963,400	924,350	39,050
ii Rent	19,847,500	17,930,430	17,813,530	911,950	12,880,600	15,505,298	14,603,448	901,850
iii License Fees	1,164,200	1,058,871	1,031,671	27,200	1,585,830	787,784	694,084	93,700
iv Other revenue	5,720,300	7,187,516	4,480,293	5,626,249	5,304,000	6,052,387	1,843,320	4,209,067
Total	27,847,000	26,989,847	24,135,674	6,583,499	27,590,430	23,308,869	18,065,202	5,243,667

2.2.2 Performance in Revenue Collection

While Revenue Billed during the year under review had been Rs. 26.99 millions, out of that, a sum of Rs. 24.13 millions had been collected. Arrears of revenue at the end of the y preceding year amounting to Rs. 5.24 millions had increased to Rs. 6.58 at the end of the year under review.

2.2.3 Rent

Stalls Rent

- (a) While a total sum of Rs. 984,955 was due to be recovered as rent and liquidated damages from 40 stalls as at 31 December 2017, action in terms Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover those arrears.
- (b) While any tax had not been recovered from 09 stalls situated in Sooriyawewa Bus Stand, and from 10 stalls close to Sooriyawewa Weekly Fair relevant to the year under review, a total sum of Rs. 924,205 was due to be recovered as stalls rent and liquidated damages in arrears as at 31 December 2017.
- (c) While action in terms of paragraph 04 of the circular No. දපපා/පපාකො/2010/01 dated 27 December 2010 had not been taken to recover lump sum money, value of lump sum money due as at 31 December 2017 from 09 stalls close to Sooriyawewa Weekly Fair and a stall in the bus stand was Rs. 382,592.
- (d) Value of lump sum money due to be recovered since a period prior to the year 2011 from 07 stalls holders close to the Sooriyawewa Weekly Fair and a stall holder close to the bus stand amounted to Rs. 292,592. Although payment of lump sum money had been thus defaulted, any course of action had not been taken to recover that money.

2.2.4 Business Tax and Industry Tax

Taxes amounting to Rs. 18,100 were due to be recovered from 19 industrial and business units as at the end of the year under review.

2.2.5 Other Revenue

Although a charge not exceeding 1 percent of the preceding year's income could be recovered from hotels, restaurants and lodging houses registered in the Sri Lanka Tourists Board, in terms of Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, only an annual trade license fee of Rs.1,000 had been recovered from a hotel functioning in the area of authority of the Sabha since the year 2013 to the year 2017.

2.2.6 Court Fines

Court Fines receivable from the Chief Secretary of the Provincial Council and other authorities at 31 December 2017 was Rs. 5,314,361.

3. Operating Review

3.1 Performance

Matters revealed in examination with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 are shown below.

(a) Delays in Fulfillment of Works

Out of 57 Development proposals expected to be performed according to the budget for the year 2017, only 29 development proposals had been fulfilled.

(b) Non-obtaining economic benefits

Although a sum of Rs.540,000 had been paid as at the end of the year under review having entered into agreement with a private institution on 04 April 2017 for the purchase of 04 computer application software systems valued at Rs.7,20,000 for development of management information system of the Sabha and a sum of Rs.540,000 had been paid as at the end of the year under review, that computer application software system had not contributed to the performance of the Sabha as at 05 April 2018.

(c) Solid Waste Management

While a security fence had not been constructed around the solid wastes management land, compost production work had not been commenced even as at 05 April 2018. having considered a proper management.

(d) Sustainable Development Targets

Long term plans for up-lifting living condition and health of the people in the area of authority of the Sabha through global index agenda 2030, targeting sustainable development objectives, had not been prepared by the Sabha.

3.2 Human Resources Management

Following matters were observed.

- (a) While an employee had been recruited in excess of the approved cadre, there were 06 vacancies in another 04 posts.

- (b) Nine officers including two approved sanitary laborers and five field laborers had been assigned duties other than the duties relevant to their posts.
- (c) Action had not been taken to recover a loan balance of Rs. 65,175 outstanding from an officer retired from service.

3.3 Operational Inefficiencies

(a) Maintenance of Street Lamps

Action had not been taken in terms of provisions in Circular No. PE/01/01 dated 17 August 2010 of the Ministry of Power and Energy to regularize the street lamps maintained by the Sabha. Due to that, charges had been reimbursed only for 531 street lamps out of 1583 street lamps maintained out of Sabha Funds.

3.4 Assets Management

3.4.1 Non-assurance of Security of Assets

Burial grounds situated in Samajasevapura ii and Viharagala vested in the Sooriyawewa Pradeshiya Sabha through vesting orders had not been partitioned having constructed fences around the burial grounds.

3.4.2 Assets not vested

- (a) Work relevant to transfer of legal ownership of 11 buildings costing Rs.38,225,000, 07 lands costing Rs.18,500,000 and 31 burial grounds used by the Sabha had not been finalised even as at the end of the year under review.

3.4.3 Vehicles utilization

Action had not been taken even up to the end of the year under review for disposal of a Condemned cab vehicle not in running condition since August 2016.

3.5 Procurements

3.5.1 Annual Procurement Plan

A Procurement Plan for the year under review had not been prepared by the Sabha.

3.5.2 Contracts Administration

Construction of Fish Stall in Sooriyawewa Public Market

Although the Construction of Fish Stall in Sooriyawewa Public Market under Puraneguma Project had been finalized by February 2016, fish market had not been opened and had not been provided for the use of the people in the area.

4. Accountability and Good Governance

4.1 Budgetary Control

Material variances between the budget for the year under review and the actual revenue and expenditure were observed as shown below.

- (a) Out of provisions made available though the budget for 56 items of expenditure exceeding Rs. 10,000 and totaling to Rs. 10,370,000, any expenditure had not been incurred.
- (b) While the total adverse variance of three items of revenue amounted to Rs. 25,315,802, those values were in a range from 27 to 56 percent.
- (c) While the total savings of six items of expenditure amounted to Rs. 23,955,798, those values were in a range from 30 to 71 percent.

5 Systems and Control

Deficiencies observed in audit were brought to the attention of the Sabha from time to time. Special attention should be made in respect of following areas of systems and controls.

System	Deficiency
(a) Accounting	I. Instances of omissions of account balances in preparation of statements. II. Non-settlement of suspense account correctly.
(b) Revenue Administration	I. Failure to assess new rates and make recoveries. II. Non-recovery of arrears of revenue III. Lack of attention identification of new revenue generating sources

- (c) Staff Management
 - I. Engagement of road laborers and sanitary laborers not relevant to their duties.
 - II. Failure to take action to fill the vacancies and to regularize excess cadre

- (d) Budgetary Control
 - I. Over estimates of revenue and expenditure items.
 - II. Entire savings of estimated amounts under certain expenditure items
 - III. Failure to take action to achieve budgeted targets.