

Seruwila Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Opinion

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

1.1 Basis for opinion

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 unqualified 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 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 includes 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 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are as follows

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 24	The roads had been inventoried and but no action had been taken to gazette all the roads.	Necessary steps will be taken to gazette all the roads	It should be complied with the Pradeshiya Sabha Act.
(ii) Section 126	By-laws were not enacted to generate new income in the Sabha.	The necessary arrangements will be made for the enactment of by-	It should be complied with the Pradeshiya Sabha Act.

		laws so as to generate new sources of income in the future	
(iii)	Section 134	The developed areas within the Sabha area of authority were not specifically identified and levied assessment and tax from time to time.	Necessary steps will be taken in the future - Do -
(b)	Local Authority (Finance and Administration) Rules, 1988, published in Extraordinary Gazette No. 554/5, dated 17th April, 1989.		
(i)	Rule 59	At the beginning of every year, a survey of businesses and industries existing in the council's area should be conducted to collect trade license income, but it was not done accordingly.	It will act correctly in the future Local authorities' financial and administrative rules should be followed.
(ii)	Rule 218	Land and buildings costing Rs.135,817,830 was	That the land and building survey will be carry out in the future - Do -

not surveyed once in every year.

- (c) Provisions of the National Environment Act No. 47 of 1980 and Gazette No. 1533/16 dated 25 February 2008
- There were cases of businesses running without a valid environmental permit.
- Necessary steps will be taken in the future for unlicensed businesses.
- The provisions of the National Environment Act and the Gazette should be followed.
- (d) Circular No. 04/1994 of the Secretary to the Ministry of Justice and dated 18 February 1994
- Every staff officer is required to declare his assets and liabilities annually but it was not act accordingly.
- Necessary steps are taken to submit asset liability declaration
- The circular provision should be followed.

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 2023 amounted to Rs. 10,082,224 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 2,803,721 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 Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Rent	5,646	7,093	6,923	1,033	5,346	3,819	2,956	863
License fee	845	717	717	-	695	706	706	-
Other Revenue	<u>14,900</u>	<u>17,108</u>	<u>13,686</u>	<u>5,138</u>	<u>14,163</u>	<u>12,757</u>	<u>11,041</u>	<u>1,716</u>
Total	<u>21,391</u>	<u>24,918</u>	<u>21,326</u>	<u>6,171</u>	<u>20,204</u>	<u>17,285</u>	<u>14,703</u>	<u>2,579</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Adequate attention was not paid to the recovery of rent in arrears, court fines and stamp duty in arrears for many years.	Immediate action should be taken to recover the arrears.	Arrangements should be made to recover the arrears of income immediately.
(b) About 300 kg of garbage is collected daily in Serunuwara city, but no attention was paid on charging a fee for it.	The necessary steps will be followed in the future	Action should be taken to increase income.

3. Operational Review

3.1 Performance

Audit Observation	Comments of the Sabha	Recommendation
(a) Under Section 126 of the Pradeshiya Sabha Act, by-laws should have been enacted to fulfill 28 main matters, but by December 31, 2023, the by-laws had not been enacted	It will be done in the future	It should be complied with the Pradeshiya Sabha act.

and 05 by-laws introduced by the Provincial Council had been adopted. However, due to non-compliance with the by-laws for charging fees for billboards, no fees were charged during the current year.

- (b) Although the Pradeshiya Sabha should regulate the land development activities carried out in the area of authority as one of its main tasks, only 02 and 03 development permits were issued in the year 2022 and 2023 respectively. However, because no unauthorized constructions were revealed in the Sabha, these functions were not properly regulated.
- The unauthorized Land development constructions will activities should be inspected and formalized. action taken accordingly

3.2 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
(a)	13 vehicles worth Rs.41,388,101 received by the Seruvila Pradeshiya Sabha under the asset management project bearing number 02/2017 dated 21 December 2017 and which are already being used by the Sabha had not been taken over in the name of the Sabha as of the audit date.	Preliminary work has been started for asset acquisition. Action will be taken to complete those activities in the future	Asset management should be formalized.
(b)	All arrangements had been made to acquire the ownership of the land and buildings of Rs. 53,412,112 tenured by the Sabha, but no takeover arrangements had	Steps will be taken to complete those activities in the future	Asset management should be formalized.

been made from the relevant government institution.

- (c) The crematorium constructed by the Pradeshiya Sabha in the year 2014 at a cost of Rs.19,000,000 remained unused during the year under review. This crematorium remained underutilized due to lack of proper planning without recognizing the need without feasibility study. It had fallen out of use due to the fact that the entrance to the crematorium was flooded in water and the chimney of the crematorium was not high enough. As a result of the failure of the engineering technology as well as the failure of the construction in the area to be carried out according to a long-term plan, the construction could not be used. Furthermore, there was no attention was paid for making this functional using modern techniques.
- Attention will be paid to get an estimate for the modernization work of the crematorium, and in the future to submit a project proposal for its renovation and obtain financial resources.
- It should be well planned and executed so that underutilized assets can be utilized.

3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
It was revealed that there are 14 vacancies in 11 posts when considering the number of approved employees and the actual number of employees in the Sabha. There was no focus on filling up these vacancies immediately or revising the approved staff.	The requests have been made to fill up the vacancies	Immediate action should be taken to fill up the vacancies.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
Internal audits had been established and plans had been made to carry them out. The internal audit plan was not approved by the National Audit Office and reports on the audit work performed were not provided to the National Audit Office.	In the future action will be taken to obtain formal approval for the annual internal audit plan of the council	Internal audits should be formalized.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget document prepared for the reviewed year, when comparing the estimated income, expenses with actual income and expenses, there were variations from 9.34 percent to 600.97 percent in 04 revenue subjects and from 19.28 percent to 26.42 percent in 03 expenditure subjects.	Attention will be paid on using the budget as an effective control tool	Budget should be prepared realistically.

4.3 Environmental Issues

Audit Observation	Comments of the Sabha	Recommendation
(a) Due to the fact that unsorted collection of garbage collected, free release, non-continuity of recycling process, non-adherence to a proper disposal method appropriate for the area of authority as per the amendments made to the National Environment Act No. 47 of 1980, the	In the future, attention will be paid on all these matters and take the necessary steps	Action should be taken according to the National Environment Act.

consumption of garbage by wild animals and non-biodegradable garbage was spread over the area was resulted.

- (b) During rainy weather conditions, water did not drain etc. was observed, due to the fact that non-regulation of arbitrary waste disposal by people and non-interference in constructions carried out without proper approval. Due to the above facts, many environmental problems were likely to arise in the future.
- The attention will be paid to this and necessary action will be taken in the future
- Waste disposal should be well regulated.