

## **Sooriyawewa Pradeshiya Sabha - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Sooriyawewa Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, including a summary of significant accounting policies, 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 Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the 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 2020, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based 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**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles, 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 Sub-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 to be prepared.

#### 1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)

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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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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.

- The financial statements of the Pradeshiya Sabha are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented 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 Observation	Comment of the Sabha	Recommendation
(a) The Receivable Court Fines of Rs.2,429,533 had been overstated as at 31 December of the year under review.	An error had been occurred in the Court Fines Register when it had being updated since the year 2018 and actions would be taken to make it correct in the future.	The revenue should be accounted accurately
(b) The loan instalment payable for the following year accumulated to Rs.2,200,310 for the Development of Local Loans Fund had not been declared as a current liability in the Financial Statements even though the Liabilities that should be settled within a year or a period less than that should be declared under as current Liabilities.	Actions would be taken to state accurately in the future.	Liabilities should be accurately declared.
(c) 1335 Stock items accumulated value of Rs.1,550,079 that should be entered into the stocks registered had been capitalized as Machinery and Equipment.	Actions would be taken to correct in the future.	The Stock items should be accounted accurately.

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| (d) | A Stamp Duty received during the year under review without detailed information of Rs.882,000 had not been recognized as a responsibility and accounted as a revenue. | Actions would be taken to state accurately in the future.                         | The responsibilities should be accounted accurately.    |
| (e) | The receivable Stamp Duty for the year 2019 and the provisions made for the Stamp Duty during the year under review had been understated by Rs.1,273,204.             | The understated amount would be corrected by the accounts for the following year. | The revenue should be accounted accurately.             |
| (e) | The Expenditure for the Construction of Capital Assets of Rs.460,325 during the year under review had been stated as recurrent expenditure.                           | Actions would be taken to correct it in the future.                               | The Capital Expenditure should be accounted accurately. |

### 1.6.2 Suspense Accounts

#### Audit Observation

The balance of the Suspense Account brought forward since the year 2017 of Rs.589,343 had been settled to the Accumulated Fund without making the proper adjustments.

#### Comment of the Sabha

Actions would be taken to recognize the balance in the Suspense Account in the future.

#### Recommendation

Actions should be taken to settle the balance of the Suspense Account.

### 1.6.3 Lack of Documentary Evidence for Audit

#### Audit Observation

The necessary information had not been furnished regarding 04 items of accounts accumulated to Rs.261,241,986 for the audit.

#### Comment of the Sabha

Actions would be taken to prepare the supplementary documents in the future.

#### Recommendation

The Evidence should be furnished to prove the balances declared in the Financial Statements.

## 1.7 Non-compliance

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

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions

<b>Reference to Laws, Rules, Regulations, etc.</b>	<b>Non-compliance</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 104	The amount of Rs.76,200 loss revealed by the final investigation of the misplaced pipes from the pipes purchased for making the net fence of the Compost Project, that should be recovered from the contractors and the officers of the Sabha had not been charged.	The letters had been sent to the liable parties and if they will not pay the legal actions would be taken.	Actions should be taken according to the Financial Regulations.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha amounted to Rs.21,130,642 for the year ended on 31 December of the year under review as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.6,767,505.

### 2.2 Financial Control

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
A balance of Rs.308,050 had been remained as at the end of the year under review in an account that had not been used by the Sabha for the transactions since the year 2016.	Actions would be taken to invest this amount in a Fixed Deposit.	Actions should be taken to invest or shut down the inactive accounts.

## 2.3 Revenue Administration

### 2.3.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
<b>(a) Rent</b>		
i. Actions had not been taken to recover the stall rent receivable of Rs.839,200.	Permission to write-off an amount of Rs.228,550 had been requested by the Governor and actions would be taken to recover the rest of the amount in the future.	The revenue receivables should be recovered as soon as possible.
ii. Action had not been taken to recover an amount of Rs.55,910 regarding the Sooriyawewa Weekly fair and the Wholesale market.	The permission to write-off the balance amount had been requested by the Governor .	-do-
iii. The arrears of key money that should be recovered by 11 stalls owned by the Sabha according to the Section 04 of the Circular No.දපපා/ පපාකො /2010/01 dated 27 December 2010 of the Commissioner of the Local Government (South) had not been recovered Rs.492,672 and a balance of Rs.292,592 out of that decending over the year 2011.	A balance of Rs.270,992 out of the arrears had been requested for the permission to write-off by the Governor and actions would be taken to recover the rest of the amount.	Actions would be taken according to the Circular.
<b>(b) License Fees</b>		
i. Actions had not been taken to recover the Trade License Fees in arrears of Rs.24,500.	Actions would be taken to recover the rest of the License Fees in the future.	The Revenue in arrears should be recovered as soon as possible.
ii. Actions had not been taken to recover the receivable Hoarding Board charges of Rs.290,075.	Actions would be taken to recover the arrears.	-do-

(c) Court Fines and Stamp Duty  
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The Court Fines receivable from the Chief Secretary and the Other Officers of the Sabha had been Rs.3,528,532.

An arrears not certified by the Provincial Revenue Department relating to the year 2013 and 2015 had been incurred in the Court Fines Register therefore the arrears had been overstated and actions would be taken to remove those balances from the register in the future.

**3. Operating Review**  
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The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

**3.1 Uneconomic Transactions**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
Only the Record Room Computer System had been implemented out of 04 Computer Systems purchased by a private institute in the year 2017 for Rs.240,0000 to make the daily tasks easier in the Sabha of the Stores, Personal Files, Vehicles and Record Room, therefore Rs.180,000 spent on the other systems had been become uneconomic expenditure.	The Stores system is also in an active state and actions would be taken to correct the errors of the other systems and make them active in the future.	An efficient and suitable Computer system should be purchased.

**3.2 Operational Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a) Actions had not been taken to obtain the recommendation of the Public Health Officers as at 30 November 2020 on 65 Business Units that should be taken legal actions even though the time had been lapsed.	Requests had been made to obtain the recommendations as soon as possible but it had been late to obtain and actions would be taken to recover it when charging the license fees for the year 2021.	The recommendations of the Public Health Officers should be obtained as soon as possible.

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| <p>(b) Trade License had been issued on 13 businesses without the Environmental Impact Assessments Reports which should be obtained according to the regulations of the National Environmental Act No.49 of 1980 published in the Extraordinary gazette dated 24 June 1993. And also actions had not been taken to give or encouraged to obtain those reports for 19 Businesses that had not been obtained the Environmental Impact Assessment Reports for the year under review, therefore the loss occurred on the Sabha fund had been Rs.83,752.</p> | <p>05 out of 19 businesses had obtained the Environmental License now, actions had been taken to complete and forward incomplete applications of 03 businesses to the commission, rest of the 10 businesses out of 11 businesses had been informed by letters to obtain the license, and one business could not be able to issue a license.</p> | <p>Actions should be taken to issue the Environmental Protection License and encourage the businesses to obtain the License.</p> |
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**4. Accountability and Good Governance**  
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4.1	<b>Audit Observation</b> -----	<b>Comment of the Sabha</b> -----	<b>Recommendation</b> -----
(a.)	The daily collected garbage of the Sabha had been disposed irregularly without categorizing them, and the Project for Production of Compost that planned to commence several years ago had not been commenced during the year under review also.	Outsiders had being dumped garbage to the garbage yard because it is an open land even though the garbage had been categorized as decay and non-decay and the Programme for Recycling would be started after receiving the necessary funds.	Actions should be commenced to dispose garbage regularly and commence the recycling.
(b.)	Actions had not been taken to fulfil the 06 conditions as at the end of the year under review as applied in the letter of the Central Environment Authority No.SU/HB/07/03/2015 dated 03 August 2017 that should be fulfilled regarding the above programme	The Compost yard had been under the threat of Wild Elephants because it is an open area, objections had been arisen when building the electrical fence around the land and the documents had been prepared and sent to the Solid Waste Management Centre to commence the project.	The conditions in the letter should be fulfilled.