

Soranathota Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 28 April 2015 while Financial Statements relating to the preceding year had been submitted on 03 June 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 28 July 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Soranathota Pradeshiya Sabha as at 31 December 2014 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

- (a) Interest payable for the loans obtained from the Local Loans and Development Fund by the Sabha during the year under review amounting to Rs. 708,706 had not been accounted resulting in an understatement of expenditure for the year under review, while a sum of Rs. 1,765,699 payable for the period from the year 2012 to 31 December 2014 had not been provided under Creditors causing understatement of Liabilities in a sum of Rs.1,765,699 in the financial statements.

- (b) Value of 392 Galvanized Flag Posts amounting to Rs. 387,500 received from the Divi Neguma Department during the year under review had not been capitalized. Due to that, the Assets and the balance of the Contribution from Revenue to Capital Outlay Account as at 31 December of the year under review had been understated at the rate of Rs. 387,500 in the financial statements.

- (c) Value of 10 Multi-Purpose Mobile Booths amounting to Rs. 265,000 received under the provisions of the Ministry of Local Government and Provincial Councils had not been accounted. Due to that, the Assets and the balance of the Contribution from Revenue to Capital Outlay Account as at 31 December of the year under review had been understated at the rate of Rs. 265,000 in the financial statements
- (d) Advances amounting to Rs.669,515 paid for Works in 03 instances during the year under review had been debited to the expenditure of the year. Due to that, Advances as at 31 December of the year under review had been understated in a sum of Rs. 669,515 while the expenditure for the year had been overstated to that extent in the financial statements.
- (e) Although a sum of Rs. 450,641 had been provided under Creditors as an amount payable for providing a Garbage Project through the Jaica Institute, that Project had not been implemented. . Due to that, expenditure of the year and Creditors as at 31 December of the year under review had been overstated at the rate of Rs. 450,641 in the financial statements.

1.3.2 Accounts Receivable and Payable

According to the financial statements presented value of Accounts Receivable as at 31 December of the year under review was Rs.17,620,630, while the value of Accounts Payable had been Rs. 25,288,272.

1.3.3 Lack of Evidence for Audit

Transactions totalling Rs. 648,255,255 could not be satisfactorily vouched in audit due to non-rendition of required information to audit.

1.3.4 Non-compliance with Laws, Rules and Regulations

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

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Environmental Act No. 47 of 1980 and Extraordinary Gazette Notification No.1523/16 dated 25 January 2008	- Environmental Permits had not been issued after carrying out a survey to identify whether 16 business entities that had obtained Trade Licenses for the year 2014 from the Sabha are Industries falling under Schedule (c) liable to obtain Environmental Permits.
(b.) Financial Regulations of the Republic of Sri Lanka	
(i.) Financial Regulation 396 (d)	- Action in terms Financial Regulations had not been taken with regard to 03 cheques valued at Rs. 47,575 issued, but not presented for payments to the bank exceeding 06 months from the date issue.
(ii.) Financial Regulation 571	- Deposits valued at Rs.42,384 that had elapsed 02 years from the date of deposit in 24 instances had not been cleared.
(iii.) Financial Regulation 751 and Pradeshiya Sabha Rules 1988 (Finance and Administrative) Rule 212	- Value of 5 Multi-Purpose Mobile Booths amounting to Rs. 132,500 and 392 Flag Posts amounting to Rs 387,500 received to the Sabha had not been taken to Stocks Registers or Inventory Books.
(c.) Establishments Code of the Republic of Sri Lanka	- Staff Loans amounting to Rs.25,530 remaining un-recovered since a period of 05 years , due from 06 employees who were in service of the Sabha and left on transfers had not been recovered

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 2014 amounted to Rs.959,241 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.11,637. Accordingly, an unfavorable variance of Rs.947,604 was observed in the financial results.

2.2 Revenue Administration

2.2.1 Court Fines and Stamp Fees

According to the financial statements presented to audit, Court Fines amounting to Rs. 760,874 and Stamp Fees amounting to Rs. 1,532,352 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Operational Inefficiencies

Action had not been taken to fulfill the Work relating to construction of steps line in Idamegama, Upper Dehigasthanna out of the sum of Rs. 50,000 provided under Criteria Based Development Proposals of the year 2013.

4. 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