

Soranathota Pradeshiya Sabha

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Badulla District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to the Audit on 21 March 2016 while Financial Statements relating to the preceding year had been submitted on 28 April 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 20 July 2016.

1.2 Opinion

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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 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

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1.3.1 Accounting Deficiencies  
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Following deficiencies are observed.

- (a) The bank balance as at 31 December had been understated in a sum of Rs. 54,813 in the financial statements for the year under review.
- (b) The balance of Staff Security Deposits totaling Rs. 57,630 as at 31 December of the year under review had not been disclosed in the financial statements for the year under review.
- (c) The value of 167 Flag Posts amounting to Rs. 211,383 received during the preceding year had not been accounted.
- (d) The value of 03 Mobile Booths amounting to Rs. 79,500 received during the preceding year had not been accounted.
- (e) Expenditure incurred amounting to Rs. 433,920 for development of assets and constructions of the Sabha had not been capitalized.
- (f) Value of over buildings amounting to Rs. 251,361 relevant to past years included in stamp fees Revenue of the year under review had been adjusted to the accumulated Fund.

- (g) Over billings amounting to Rs. 162,198 relevant to past years included in the Courts Fines Revenue for the year under review had not been adjusted to Accumulated Fund.
- (h) Interest amounting to Rs. 132,164 included in the installments paid during the year under review had been debited to the Local Loans and Development Fund.
- (i) Interest amounting to Rs. 65,948 included in the loan installment of the Local Loans and Development Fund relevant to the month of December of the year under review had been accounted as capital expenditure.
- (j) Work Creditors balance relevant to the preceding year included in the financial statements for the year under review had been overstated in a sum of Rs. 375,554.
- (k) Work Creditors balance as at 31 December 2015 had been overstated in a sum of Rs. 1,800,271.
- (l) Audit Fees amounting Rs. 24,376 for the preceding year had been accounted as an expenditure of the year under review.

#### 1.3.2 Accounts Receivable and Payable

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According to the financial statements presented, value of Accounts Receivable as at 31 December of the year under review was Rs.22,081,539, while the value of Accounts Payable had been Rs. 31,064,652.

#### 1.3.3 Lack of Evidence for Audit

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- (a) Five items of accounts valued at Rs. 647,601,410 could not be satisfactorily vouched in audit due to non-rendition of schedules and revenue details with values.
- (b) Although the security deposit of Rs. 3,607,770 placed for Local Loans and Development Fund Loans had been obtained without approval of the Commissioner of Local Government, particulars relating expenditure incurred were not confirmed in audit.

#### 1.3.4 Non-compliance with Laws, Rules and Regulations.

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Instances of non-compliance with laws, rules, regulations etc. observed in audit are shown below.

Reference to laws, rules, regulations etc.,	Non-compliance
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(a) Sections 132 (j) and (k) of the Pradeshiya Sabha Act No. 15 of 1987.	Although prior approval of the Minister in Charge of the Subject should have been obtained for the expenditure incurred totaling Rs. 359,085 in 13 instances, such prior approval of the Minister had not been obtained.

(b) Financial Regulations of the  
Republic of Sri Lanka

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(i) F. R. 104

Although a period of more than 16 months had elapsed after the accident to the Cab Vehicles of the Sabha, , an inquiry had not been held and a report had not been furnished in that connection.

(ii) F.R. 395(c)

Bank Reconciliation Statements had not been prepared after 31 December 2014.

(iii) F.R. 396

Thirteen cheques valued at Rs. 76,746 issued, but not presented for payments for a period more than 06 months ad not been taken to revenue.

(c) Clause 1:6 in Chapter XXIV of the  
Establishments Code of the  
Republic of Sri Lanka

There was loan balance totaling Rs. 20,730 outstanding for more than 06 years due from from 04 employees left on transfers.

(d) Provisions in Letter No. 12/1/1 dated  
03 June 2015 of the Uva Commissioner  
of Local Government connected with  
Delegation of Authorities of the sabha.

Fuel totaling to a value of Rs. 92,179 had been obtained during the year under review exceeding the limit for the Sabha Cab Vehicle without approval.

2. Financial Review

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2.1 Financial Results

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs. 1,704,357 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 959,242.

2.2 Revenue Administration

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According to the financial statements presented to audit, Court Fines amounting to R.692,343 and Stamp Fees amounting to Rs. 1,555,708 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

### 3. Operating Review

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#### 3.1 Improper Transactions

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Although 16 months had elapsed after taking place an accident to the Cab Vehicle of the Sabha, parties responsible had not been identified. It had been repaired having paid a sum of Rs. 1,257,800 to an un-registered garage.

#### 3.2 Un-economic Transactions

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While 09 Permanent Field Laborers and Sanitary Laborers were engaged in service in excess of the approved cadre, 07 employees had been engaged on casual and substitute basis and salaries amounting to Rs. 840,600 had been paid them during the year 2015.

#### 3.3 Identified Losses

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When paying the loans obtained from the Local Loans and Development Fund, an additional cost Rs. 5,102,305 had to incurred for settlement of loans due to breach of conditions and delays in payment of installments.

#### 3.4 Contracts Administration

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The advance of Rs. 100,000 paid to the contractor on 01 September 2014 for construction of the Pussellawa, Muththettuwakumbura Handhold Bridge had not been settled.

### 4. Good Governance and Accountability

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#### 4.1 Budgetary Control

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The Budget prepared had not been made use of as an effective tool of management for control of budgeted revenue and expenditure of the Sabha relevant to the year under review.

#### 4.2 Annual Procurement Plan

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An Annual Procurement Plan had not been prepared for the year under review.

#### 4.3 Internal Audit

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An Internal Audit had not been carried out for the year under review.

#### 4.4 Implementation of Audit and Management Committees

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Audit and Management Committees had not been established and implemented during the year under review.

5. Systems and Controls

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Special attention of the Sabha is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Stocks Control
- (e) Vehicles Control
- (f) Contracts Control
- (g) Assets Management.