

**Soranathota Pradeshiya Sabha**  
**Badulla District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The Financial Statements for the year 2016 had been submitted to audit on 28 March 2017 while the Financial Statements relating to the preceding year had been submitted on 21 March 2016. The report of the Auditor General relating to the year 2016 was issued to the Secretary of the Sabha on 30 June 2017.

**1.2 Qualified Opinion**

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In my opinion except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Soranathota Pradeshiya Sabha as at 31 December 2016 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 Policies**

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Basis of Accounting had not been disclosed in the financial statements.

**1.3.2 Accounting Deficiencies**

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The following accounting deficiencies are observed.

- (a) An over provision of Rs. 175,000 had been made for creditors of the Boliadda water project.
- (b) The receivable water charges for previous year relating to Kovil Kandura Water Scheme had been overstated by Rs.26,500.
- (c) Loan installments to the value of Rs. 778,723 payable to the Local Loan and Development Fund as at 31 December of the year under review had not been accounted for.
- (d) Interest amounting to Rs.420,391 payable to the Local Loan and Development Fund for the year under review had not been accounted for.
- (e) Although 225 galvanize flag posts valued at Rs.434,000 was received from the Department of Divineguma in the year 2014, only a sum of Rs.222,417 had been accounted for.
- (f) Although 10 Multipurpose Mobile Huts worth Rs.265,000 received from the Ministry of Local Government and Provincial Councils in the year 2014, it had been accounted for as 07 Huts to the value of Rs.185,500.
- (g) Seven contract works valued at Rs.1,551,273 which estimates were not approved had been shown as contact creditors.

- (h) Six office equipment valued at Rs.37,050 which had been auctioned during the year under review had not been removed from the assets accounts.
- (i) The shortage of 09 office items reported in the Boards of Survey for the year under review had not been removed from the assets accounts as per the recommendation of the Boards of Survey.

### 1.3.3 Accounts Receivable and Payable

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According to the financial statements presented the value of accounts receivable as at 31 December of the year under review was Rs. 15,451,452 while the value of accounts payable had been Rs.16,663,925.

### 1.3.4 Lack of Evidence for Audit

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Sixes items of assets valued at Rs. 689,703,238 could not be satisfactorily vouched in audit due to non- rendition of necessary information to audit.

### 1.3.5 Non-compliance with Laws, Rules and Regulations

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Instances of non-compliance with Laws, Rules and Regulations etc. observed in audit are shown below.

Reference to Laws, Rules and Regulations etc.	Non-compliance
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(a) Section 132(a) and (o) of the Pradeshiya Sabha Act No. 15 of 1987	A sum of Rs. 93,340 had been spent for donation of materials in instance 07 without the approval of Minister in-charge.
(b) Rule 218 of the Pradeshiya Sabha (Financial and Administrative) Rules of 1988	Board of Survey in respect of lands and buildings had not been conducted for the year 2016.
(c) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka	
(i) F.R 104	The preliminary report in respect of accident to the vehicle No. 252-6370 met on 06 January 2015 had not been prepared .
(ii) F.R. 371	Ad-hock sub-impressts given in the years 2014, 2015, 2016 amounting to Rs. 1,035,092 had not been settled.
(iii) F R 396 (c)	Action in respect of 07 lapsed cheques valued at Rs.11,724 issued but not presented for payments had not been taken.

- (iv) F.R. 571 16 deposit balances amounting to Rs.90,692 held for over 02 years had not been disposed.
- (d) Section 1.6 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka Long outstanding balance of Rs.18,230 had not been recovered from 02 officers who transferred out.

## 2. **Financial Review**

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### 2.1 **Financial Results**

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According to the financial statements presented, excess revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 35,210 while the corresponding excess revenue over recurrent expenditure for the preceding year amounted to Rs.1,704,357.

### 2.2 **Revenue Administration**

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#### 2.2.1 **Performance on Revenue Collection**

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The progress on recovery of arrears income prevailed on 01 January 2016 was in the range of 8 per cent to 56 per cent.

#### 2.2.2 **Courts Fines**

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Courts fines and stamps fees recoverable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2016 was Rs.1,600,000.

## 3. **Operating Review**

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### 3.1 **Operational Inefficiencies**

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A sum of Rs. 50,449 had been paid to the Secretary to the Sabha and Technical Officer in 11 instances as holiday pay exceeding the monthly approved days.

### 3.2 **Identified Losses**

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A penalty of Rs.11,690 had to be paid on behalf of 05 vehicles due to delayed in obtaining the revenue licenses.

#### 4. **Accountability and Good Governance**

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##### 4.1 **Budgetary Control**

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The Budget had not been made use of as an effective control tool in the control of revenue and expenditure of the year under review.

##### 4.2 **Annual Procurement Plan**

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An Annual Procurement Plan had not been implemented during the year under review.

##### 4.3 **Internal Audit**

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Internal audit had not been carried out for the year 2016.

#### 5. **Systems and Controls**

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

- (a) Assets Management
- (b) Inventory Control.
- (c) Revenue Collection.
- (d) Control over Vehicles