

**Soranathota Pradeshiya Sabha
Badulla District**

1. Financial Statements

1.1 Presentation of the Financial Statements

The Financial Statements of the year 2019 had been presented to the audit on 27 February 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the chairman on 20 July 2020 and 24 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section 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 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion
Lack of evidence for Audit**

Audit observation	Recommendation	Comments of the Accounting Officer
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Title deeds, plans, transfer orders and schedules relating to Land & Building amounting to Rs. 643,469,478 had not been presented to the audit.	Evidence confirming account balances should be presented.	A board of officers has been appointed in accordance with instruction letter of the Commissioner of local government.

1.4 Non compliance

Non compliance with laws, rules, regulations and management decisions.

Reference to laws, rules regulations and management decisions	Non compliance	Recommendation	Comments of the Accounting Officer
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(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
Financial Regulation 104(1) and (3)	Although a battery of a tractor and a disassembled engine	Action should be taken in accordance	The commissioner of Local

with other parts of a cab had been lost, It had not been done necessary investigations and reported.

with Financial Regulations.

Government has been informed.

- (b) Circular No. 1980/46 dated 31 December 1980 of the commissioner of Local Government
- Although the properties of the Sabha should be assessed once in 5 years, Assessment reports relating to 23 shops had not been obtained.
- Action should be taken in accordance with the guidelines of the circular.
- It has been informed Valuation department to obtain a valuation report.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 has been Rs. 796,747 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.1,022,489.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	<u>2019</u>				<u>2018</u>			
	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue collected	Arrears as at 31December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	2,121,374	2,142,085	1,655,641	486,443	1,696,724	1,999,931	1,578,052	421,879
ii. Shop Rent	537,800	562,108	454,173	107,935	388,800	421,418	396,697	24,722
iii. License Fees	4,849,525	4,847,738	376	4,847,361	3,529,851	4,221,403	689,814	3,531,589
iv. Other Revenue	-	-	-	-	-	-	-	-
Total	<u>7,508,699</u>	<u>7,551,931</u>	<u>2,110,190</u>	<u>5,441,739</u>	<u>5,615,375</u>	<u>6,642,752</u>	<u>2,664,563</u>	<u>3,978,190</u>

2.2.2 Performance in Revenue Collection

Audit observation	Recommendation	Comments of the Accounting Officer
----- Arrears of revenue amounting to Rs. 10,624,477 that had elapsed more than five years had not been recovered.	----- Arrears of revenue should be recovered.	----- Rs. 3,028,439 had been recovered as at 30 April 2020.

2.2.3 Court Fines and Stamp Fees

Audit observation	Recommendation	Comments of the Accounting Officer
----- Arrears of Court fines amounting to Rs. 2,000,000 and arrears of Stamp fees amounting to Rs. 2,844,525 due as at 31 December of the year under review had not been recovered.	----- Arrears of Court fines and arrears of Stamp fees should be recovered.	----- As at 30 April 2020, Stamp fees amounting to Rs. 1,958,674 and court fines amounting to Rs. 756,374 have been recovered.

3 Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

Sustainable Development Goals

Audit observation	Recommendation	Comments of the Accounting Officer
----- Although there was awareness with regard to “Sustainable Development Agenda -2030” of the United nations, Indexes for measuring sustainable objectives and goals which could be applied to the Sabha had not been identified.	----- Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.	----- Indexes for measuring sustainable goals have been stated in four year plan.

3.2 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Excess of expenditure over revenue of 14 water schemes had been Rs. 1,698,800.	Services should be provided while minimizing the costs.	Action will be taken to minimize the loss by increasing the unit charge.
(b) Arrears of loan installments amounting to Rs. 981,672 for the year 2018 and 2019 had not been paid to the Local loans and development fund.	Installments should be paid properly.	It has been requested to write off the loan since It is difficult to pay that amount.
(c) Expenditure creditors amounting to Rs. 16,132,397 that had elapsed more than five years had not been settled.	Action should be taken to settle.	Part of it has been already settled.

3.3 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
As at 31 December of the year under review, There were 13 excess employees relating to 5 positions and 7 vacancies in 6 positions.	Excess cadre should be formalized and essential vacancies should be filled.	It has been sent to approve the cadre. Action will be taken to fill vacancies.

4 Accountability and Good Governance

4.1 Audit and Management Committee

Audit observation	Recommendation	Comments of the Accounting Officer
Only 02 Audit and Management Committee meetings had been held in the year under review.	Audit and Management Committee meetings should be held at least once in a quarter.	Action will be taken to avoid this issue and to be held meetings properly.

4.2 Internal Audit

Audit observation

An internal audit had not been conducted in the year under review.

Recommendation

An internal audit should be conducted.

Comments of the Accounting Officer

It was not able to conduct properly.