

Koralepattu North Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 12 May 2014 and the financial statements for the preceding year had been presented on 24 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 04 December 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Koralepattu North Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Compliance with Sri Lanka Public Sector Accounting Standards

The financial statements had not been prepared in accordance with the Public Sector Accounting Standards, as stipulated in the Circular No. PL/05/PA/SFPSAS dated 27 January 2014 issued by the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2. Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) Provisions had not been made in the accounts for the audit fees of Rs.13,000 payable in respect of the year under review.

- (b) The expenditure in respect of stalls repairs, electrical work, repairs to computers totalling to Rs.261,282, had been shown under capital expenditure.

1.3.3. Accounts Receivable

The loan balance in respect of two persons who had vacated post amounted to Rs.226,977 and action had not been taken to recover this since 2011.

1.3.4. Lack of Evidence for Audit

The evidence indicated against the following subjects in the financial statements, had not been submitted to the audit.

Subjects	Value – Rs.	Evidence not submitted
Lands and Buildings	81,772,447	Title Deeds
Plant and Machinery	243,500	Registers of Fixed Assets, Detailed Schedules of Assets, and Reports of Survey Boards.
Furniture	574,145	
Library Books	390,917	
Computers	210,244	
Photographic Equipment	24,500	

1.3.5. Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance were observed during the Audit.

Reference of Laws, Rules and Regulations

Non-compliance

(a) Section 134 (1) of Pradeshiya Sabha Act No. 15 of 1987

Action had not been taken to identify the non-moveable assets within the authority of the Sabha, and collect the rates and taxes after computing the annual assessment of those assets.

(b) Pradeshiya Sabha (Finance and Administration) Rules - 1988

(i) Section 5 (XII) of Chapter I

Though functions such as finance, stores materials, and signing of cheques, had been entrusted systematically to four officers, security deposits had not been obtained from them.

(ii) Section 81 of Chapter III

Action had not been taken at the end of each quarter to submit; applications to the Registrar General for the reimbursement of stamp taxes with respect to the vesting of ownership of lands; applications to Director of the Treasury for the reimbursement of taxes with respect to other transactions; applications to the Registrars of Courts for the reimbursement of fines.

(iii) Section 193 of Chapter X

Action had not been taken to compare the details relevant to the Actual Revenue and the Expenditure, relevant to the year with the budget, and prepare a report containing the clarifications for the variances, and submit it to the audit.

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 2013 amounted to Rs.5,419,091, as compared with the excess of revenue over recurrent expenditure amounting to Rs.3,303,054 in the preceding year. Therefore financial result of the year under review had shown an improvement of Rs.2,116,037 in comparison to the preceding year.

2.2. Revenue Management

2.2.1. Performance on Revenue Collection

Significant variances were observed between the Estimated Revenue and the Actual Revenue, submitted by the Sabha for the year under review.

Source of Revenue	Estimated Revenue	Actual	Variance
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	Rs.	Rs.	Rs.
(i.) Rates	625,000	-	625,000
(ii.) Lease Rent	800,000	240,818	559,182
(iii.) Charges for Services	285,000	63,724	221,276
(iv.) Revenue from Government Taxes	7,441,621	5,177,816	2,263,445

2.2.2. Rates and Taxes

Action had not been taken as stipulated in Section 134 of Pradeshiya Sabha Act No. 15 of 1987, to obtain the assessed annual value from the Department of Valuation, for the purpose of collection of rates and taxes, in respect of the lands, and houses and buildings situated within the area under the authority of the Sabha, Therefore the Sabha had been deprived of an annual revenue of approximately Rs.500,000.

3. Operating Review

3.1. Management Inefficiencies.

The following observations are made.

- (a) A sum of Rs.269,500 had been spent from Sabha funds as expenditure for the fuel in respect of the water distribution work, under taken by the JICA project, in Alangkulam, Marudankeni village and necessary action had not been taken to reimburse this expenditure from the JICA project.
- (b) 15 motor vehicles had been handed over to the Sabha by other ministries and departments, and the values of these vehicles had not been computed and brought to account since a period of ten years.

4. Accountability and Good Governance

4.1. Internal Audit

Though the Section 8 of the Local Government Restructure Circular No. 03 dated 08 November 2005 stipulates that each Local Authority should establish an internal audit section depending on their capacity, an internal audit section had not been established in the Sabha.

4.2. Budgetary Control

The variances in the range of 12% to 60% were observed between the estimated expenditure and the actual expenditure. Therefore it was observed that the budget had not been made use of as an effective tool of management control.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- a) Accounting
- b) Revenue Management
- c) Fixed Assets Control
- d) Budgetary Control