

## **Koralaipattu Pradeshiya Sabha**

### **Batticaloa District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 03 June 2015 while Financial Statements relating to the preceding year had been submitted on 09 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 19 August 2015.

##### **1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Koralaipattu Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Generally Accepted Accounting Principles.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Non-compliance with Public Sector Accounting Standards of Sri Lanka**

Although cash flow statements had been submitted together with the Financial Statements, those had not been properly prepared in conformity with the Public Sector Accounting Standards 2.

###### **1.3.2 Accounts Receivable**

Action had not been taken to recover loan balances in arrears amounting to Rs. 131,679 due from ten officers who had vacated service or retired from their pension gratuity or from the guarantors and had been shown in the financial statements continuously since the year 2013.

### 1.3.3 **Non-compliance with Laws, Rules and Regulations etc.**

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Following Instances of non-compliance were observed in audit.

Reference to Laws, Rules and Regulations etc.	Non-compliance
(a) Pradeshiya Sabha (Financial and Administrative) Rules -1988 (i) Chapter I Section 5 (XII)	Although functions such as cash, stores materials etc had been assigned administratively to four officers, security deposits had not been obtained from them.
(ii) Chapter III Section 81	Applications for reimbursement of Stamp f Duty connected with transfer of ownership of lands to the Registrar General, applications for reimbursement of taxes connected with other transactions to the Director, General Treasury and applications for reimbursement of fines to the Registrars of Courts had not been submitted at the end of each quarter.
(iii) Chapter X Section 193	A statement showing details of variations comparing the actual revenue and expenditure with the budget for the year had not been prepared and submitted to the audit.

## 2. **Financial Review**

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### 2.1 **Financial Results**

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While according to the Financial Statements presented, financial result for the year under review had been an excess of revenue over recurrent expenditure amounting to Rs.10,734,838, as compared with the excess of revenue over recurrent expenditure for preceding year had been Rs.4,843,123 indicating an improvement in a sum of Rs. 5,891,715 in the financial results.

## 2.2 **Revenue Administration**

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### 2.2.1 **Rates and Taxes**

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Action had not been taken to get assessed lands situated, houses and buildings etc. constructed in the area of authority of the Sabha in order to recover Rates from the year 1989 to the end of year 2014 in terms of Sections 134, 158 and 159 of the Pradeshiya Sabha Act No.15 of 1987.

### 2.2.2 **Lease Rent**

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#### (a) **Lease of Pasikuda Small Vehicles Security Park**

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Following matters were observed.

- (i) Although 50 percent of the tendered amount should be paid at the inception according to tender conditions for the Lease of Pasikuda Small Vehicles Security Park, out of the sum of Rs. 648,000 payable by the lessee during the year under review, a sum of Rs. 200,000 only had been paid on 20 January 2014. Part payments amounting to Rs. 448,000 payable within 7 days and 03 months too, had not been paid up to now.
- (ii) Although a sum of Rs. 1,600,000 had been decided as the minimum amount of the tender with regard to leasing out this Centre during the preceding year, a sum of Rs.1,100,000, only had been recovered from the lessee. The balance sum of Rs. 500,000 had not been recovered up to now.

#### (b) **Lease of Pasikuda Dressing Change Centre No. 01 and No. 02**

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Following matters were observed in this connection.

##### (i) **Dressing Change Centre No. 01**

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Although a sum of Rs. 160,000 being 50 percent of the tendered amount should be paid as at 31 December 2013 according to tender conditions by the party who got the Dressing Change Centre for Rs. 320,000 only a sum of Rs. 80,000 had been paid as at 16 January 2014.

(ii) **Dressing Change Centre No. 02**  
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This Dressing Change Centre had been given on lease to an individual for a sum of Rs. 580,000 on 31 December 2013. While this tendered person had taken the lease having paid a sum of Rs. 220,000 only on 13 January 2014, the balance sum of Rs. 360,000 due from him had not been recovered up to now.

- (c) Although the lease rent of Rs. 1,789,000 due from the two lessees with regard to the Pasikuda Vehicles Park and Dressing Change Centers had been in arrears for a period more than three years, necessary action had not been to recover it.

2.2.3 **Other Revenue**  
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Following matters were revealed with regard to recovery of revenue from Tourist Hotels, Restaurants and Lodging Houses. Amount of License Fees to be recovered in terms of Section 149 of the Pradeshiya Sabha Act No.15 of 1987 from nine main hotels registered in the Sri Lanka Tourists Board and operating in the area of Pasikuda had not been recovered up to now.

3. **Operating Review**  
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3.1 **Management Weaknesses**  
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Although a sum of Rs. 2,037,203 being contributions to the Employees Pension Scheme for the period from the year 1995 to end of the year under review was due to be paid, action had not been taken to pay and settle that amount.

5. **Systems and Controls**  
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Special attention is needed in the following areas of control

- (a) Accounting
- (b) Revenue Administration
- (c) Fixed Assets Control
- (d) Budgetary Control.