

**Koralaipattu North Pradeshiya Sabha**

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**Batticaloa District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 29 May 2015 while Financial Statements relating to the preceding year had been submitted on 02 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 North Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended 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 Accounting Deficiencies**

Provision for Audit Fees payable for the year under review amounting to Rs.13,000 had not been made in the accounts.

**1.3.3 Accounts Receivable**

The sum of Rs. 226,977 being the loan balance in arrears due from two officers who had vacated service had been brought forward continuously since the year 2011, without action being taken to recover from the guarantors.

### 1.3.4 Lack of Evidence for Audit

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Evidence indicated against each of following items of accounts had not been submitted to audit.

Item of Account -----	Value -----	Evidence not submitted -----
	Rs.	
Land and Buildings	81,862,259	Deeds of Land
Machinery and Equipment	577,500	} Fixed Assets Registers
Furniture and Fittings	650,793	
Library Books	632,482	
Computers	199,649	
Photography Equipment	24,500	

### 1.3.5 Non-compliance with Laws, Rules, 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 detailed statement showing reasons for variations after comparing revenue and expenditure for the year with the budget had not been prepared and submitted to 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 had been an excess of revenue over recurrent expenditure amounting to Rs.2,415,575, as compared with the excess of revenue over recurrent expenditure for preceding year had been Rs. 5,419,091 indicating a decline in a sum of Rs. 3,003,516 in the financial results.

### 2.2 **Revenue Administration**

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#### 2.2.1 **Performance in Revenue Collection**

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Material variances were observed between the estimated revenue and actual revenue according to Information furnished by the Sabha.

Item of Revenue	Estimated Revenue	Revenue Collected	Variance	Percentage
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	Rs. 000	Rs. 000	Rs. 000	%
Rates	625	2	623	99
Taxes	800	416	384	48
Service Charges	285	60	225	78
Warrant Charges and Fines	3,775	3,117	658	17
Other Revenue	1,708	1,110	598	35

#### 2.2.2 **Rates and Taxes**

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Action had not been taken to get assessed lands situated, houses and buildings constructed in the area of authority of the Sabha by the Valuation Department in order to recover Rates in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987. Due that approximate revenue of Rs.500,000 had been lost to the Sabha.

#### 2.2.3 **Recovery of Charges for Communication Towers**

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It had not been possible to recover specified charges for 06 Communications Towers established in the area of authority by the private institutions due to inability in framing by-laws by the Sabha in terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987. Accordingly, approximate revenue of Rs. 500,000 had been lost to the Sabha annually.

#### 2.2.4 **Rent of Buildings**

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Rent Receivable amounting to Rs. 500,000 outstanding since the year 2009 for the building given on lease to the Peoples' Bank by the Sabha had not been recovered up to the end of the year under review.

### 3. **Operating Review**

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#### 3.1 **Management Weaknesses**

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Following observations are made.

- (a) Although the current account opened in the Bank of Ceylon had been dormant for more than 10 years, action had not been taken by the Sabha to transfer the balance of Rs.117,714 in that account to another account.
- (b) Action had not been taken to assess the values of 15 vehicles handed over to the Sabha prior to ten years by other Ministries and Departments and take those to accounts.

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

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#### 4.1 **Budgetary Control**

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It was observed that the Budget had not been made use of as an effective tool of management as variations in a range from 22% to 80% were observed between budget and actual expenditure and revenue.

### 5 **Systems and Controls**

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

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