

## **Koralaipattu West 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 02 July 2015 while Financial Statements relating to the preceding year had been submitted on 20 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 West 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**

Cash Flow Statements had not been prepared according to the Public Sector Accounting Standards 2 and submitted together with the Financial Statements.

###### **1.3.2 Accounting Deficiencies**

Following accounting deficiencies were observed .

- (a) Provision for Audit Fees payable for the year under review amounting to Rs.16,000 had not been made in the accounts.
- (b) Although Tractor Machines valued at Rs. 681,000 were missing under the war condition during the year 1990, action had not been taken to write-off that value from the books. Due to that, value of assets had been overstated in the accents to that extent.

### 1.3.3 **Accounts Receivable and Payable**

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Following observations are made.

- (a) Although Annual License Fees amounting to Rs. 112,000 receivable from the owners of four Ice Dealing Centers had been in arrears for more than six years, it had been shown in the financial statements continuously, without action being taken to recover.
- (b) Although Rates amounting to Rs. 11,290,841 receivable from the Valaichchenai Paper Factory had been in arrears for more than eleven years, action had not been taken to recover or to write-off it from the books.
- (c) Although a sum of Rs. 96,026 being loan balances due from four officers who had vacated service or retired had been in arrears since the year 2010, action had not been taken to recover those from their pension gratuity or 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	35,936,292	Deeds of Land
Machinery and Equipment	441,876	} Fixed Assets Registers
Furniture and Fittings	1,151,262	
Library Books	1,552,655	

### 1.3.5 **Non-compliance with Laws, Rules and Management Decisions etc.**

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Following Instances of non-compliance with Laws, Rules and Management Decisions etc.were observed in audit.

## References to Laws, Rules and Regulations etc.

## Non-compliance

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- (a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988. -
- (i) Chapter I Section 5 (XII) - Although functions such as cash, stores materials etc. had been assigned administratively to three officers, security deposits had not been obtained from them.
- (ii) Chapter III Section 81 - Applications for reimbursement of Stamp 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 191 - Although twelve Sabha Meetings had been conducted during the year under review, certified copies of reports of the meetings had not been submitted to audit.
- (b) Financial Regulation No. 571 of the Democratic Socialists Republic of Sri Lanka Action in terms of financial regulations had not been taken with regard to time lapsed deposits amounting to Rs. 898,894.
- (c) Sabha Decision No.26 Although five By-laws should be prepared and published in the Gazette, it had not been done up to now.

## 2. Financial Review

### 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.2,327,190, as compared with the excess of revenue over recurrent expenditure for preceding year had been Rs. 4,949,089 indicating a decline in a sum of Rs. 2,621,899 in the financial results.

## 2.2 Revenue Administration

### 2.2.1 Performance in Revenue Collection

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
	Rs. 000	Rs 000.	Rs.000	%
Rates	3,750	1,966	1,784	47
Taxes	3,300	2,190	1,110	33
License Fees	1,625	1,203	422	25
Service Charges	2,075	1,839	236	11
Other Revenue	2,725	2,254	471	17

### 2.2.2 Rates and Taxes

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.

### 2.2.3 Recovery of Other Revenue

Charges amounting to Rs. 120,000 to be recovered for 05 Communications Towers established about 07 years ago had not been recovered up to now.

## 3. Operating Review

### 3.1 Management Weaknesses

Following observations are made.

- (a) Although an officer had been appointed on 09 February 2012 by the Sabha to supervise a Work in operation from the Nelship Project, salaries had not been paid to him from the Sabha as he had not reported for work. However, it had been ordered to pay a sum of Rs.194,163 to the relevant person consequent to the case filed against the Sabha and payment had been made accordingly.

- (b) A surcharge of Rs.67,004 had to be paid to the Employees Trust Fund, due to nonpayment of contributions to that fund on the due dates on behalf of 15 employees of the Sabha. A sum of Rs. 20,218 had been paid as case expenses for the case filed by the Fund in this connection.
- (c) Insurance cover had not been obtained by the Sabha for 22 vehicles belonging to the Sabha since a period of more than 10 years.
- (d) Although the Water Purification Machine valued at Rs. 20 million belongs to the Sabha had disappeared during the year 2010, action had not been taken to identify the person responsible and to take legal action against him.

### 3.2 **Idle Assets**

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Following matters were observed.

- (a) High Pressure Water Machine purchased by the Sabha on 27 May 2014 for a sum of Rs.42,000 had been kept in the stores without being used up to now, due to lack of knowledge for operation of the machine.
- (b) It was observed that three Tractor Vehicles used for disposal of solid waste had been parked for more than three years without being repaired.

## 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 47% to 86% 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.