

Koralaipattu West Pradeshiya Sabha -2015

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 8 June 2016 and the report of the Auditor General had been furnished to the Secretary of the Sabha on 29 September 2016.

1.2 Qualified Opinion

Except for the effects of the matters described in Paragraph 1.3 of this report, I am of opinion that the financial statements give a true and fair view of the financial position of the Koralaipattu West Pradeshiya Sabha as at 31 December 2015 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. Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Computer and voice recorder purchased for Rs. 261,000 during the year under review had been accounted for as recurrent expenditure.
- (b) The expenditure amounting to Rs. 208,416 incurred during the year under review for purchase of bulbs repair expenditure had been accounted for as capital expenditure.

1.3.2 Accounts Receivable

Annual license fees of Rs. 160,500 had remained outstanding for more than seven years. However, it had continuously shown in the financial statements without taking action to recover it.

1.3.3 Lack of Evidence for Audit -----

Evidence indicated against the following each item of accounts had not been furnished to audit.

| Item ----- | Value ----- | Lack of Evidence ----- |
|------------------------|----------------|--|
| | Rs. | |
| Lands and Buildings | 35,936,292 | } Title Deed Register of Fixed Assets |
| Plant and Machineries | 441,876 | |
| Furniture and Fittings | 1,510,042 | |

1.3.4 Non-compliance with Laws, Rules & Regulations

Instances of non-compliance with laws, rules, regulations and management decisions observed in audit are analyzed below.

| Reference to Laws, Rules, Regulations etc; | Non-compliance |
|---|---|
| (a) Pradeshiya Sabah (Financial and Administrative) Rules of 1988 Rules 5(12) of Chapter I | Although cash, stores and signing of cheques had been administratively entrusted to three officers, security had not been obtained from them. |
| (b) Financial Regulations 571 of the Democratic Socialist Republic of SriLanka | Action had not been taken in terms of the provisions in the Financial Regulations on the lapsed deposits amounting to Rs. 3,319,025 remained over 05 years. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs. 3,075,174 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 2,327,190 for the previous year thus indicating an improvement of Rs. 747,984 in the financial results.

2.2 Revenue Management

2.2.1 Performance in Revenue Collection

The estimated revenue and the actual revenue in respect of the year under review as furnished by the Sabah are shown below

| Revenue Item | Estimated Revenue for the year 2015 | Actual Revenue for the year 2015 | Accumulated arrears as at 31 December 2015 |
|---------------------|--|---|---|
| ----- | ----- | ----- | ----- |
| | Rs. | Rs. | Rs. |
| Fines | 2,341,234 | 3,550,997 | 1,792,154 |
| Rental | 445,500 | 624,500 | 412,000 |

3. Performance Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Although 31 fish stalls had been constructed at Oddamavadi-01 handed over to the Sabha on 25 February 2015, these stalls had not been rented out up to 31 May 2016.
- (b) The Sabha had to pay a sum of Rs. 16,218 as surcharge during the year under review due to the failure in remitting contribution to the Employees Trust Fund for 15 employees within the due date.
- (c) Action had not been taken to recover the rates and taxes amounting to Rs.11,937,904 receivable from the Valaichenai Paper Mills up to the end of the year under review.
- (d) Although staff loan balances of Rs. 90,791 to be recovered from ten employees who went on transfer, vacated their posts or retired had remained outstanding from the year 1998, action had not been taken to recover the amount from their sureties or from their pension gratuity.

4. Accountability and Good Governance

Budgetary Control

The budget had not been utilized as an effective instrument of management control due to variance ranging from 25 percent to 144 percent were observed between the budgeted expenditure and actual expenditure.

5. Systems and Controls

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

- (a) Revenue management
- (b) Budgetary Control
- (c) Control of Fixed Assets