

**Koralai Pattu North Pradeshiya Sabha**

-----  
**Batticaloa District**  
-----

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

-----

The financial Statements for the year 2018 had been presented for audit on 22 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 08 May 2019 and 31 May 2019 respectively.

**1.2 Qualified Opinion**

-----

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Koralai Pattu North Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**1.3.1 Accounting Deficiencies**

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
	-----	-----	-----
(a)	Opening balance of staff loan as per the financial statements amounted to Rs. 2,534,402. Opening balance of staff loan as per the loan register of the Pradeshiya Sabha amounted to Rs.2,210,576.	Action should be taken to reconcile both balances.	Accepted.
(b)	The value of motor vehicles and carts amounted to Rs.243,500 had been shown in the financial statements over a period of 10 years, without valuation or revaluation.	Assets should be valued or revalued and shown in the accounts.	Accepted.
(c)	The value of Land and Buildings amounted to Rs. 87,251,075 had been shown in the financial statements over	Assets should be valued or revalued and presented in the accounts.	Accepted

a period of 10 years, without revaluation.

- |     |  |  |           |
|-----|--|--|-----------|
| (d) | The value of Plant and equipment amounted to Rs. 13,088,075 had been shown in the financial statements at the end of the year under review over a period of 10 years, without revaluation. | Assets should be revalued and presented in the accounts. | Accepted  |
| (e) | The computer sets donated by the Ministry of Local Government and Provincial Councils to decorate the front office of the Sabha for the year under review, had not been accounted for.     | Value of Computers should be accounted for.              | Accepted. |

**1.3.2 Contingent Liabilities**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
The council had filed cases against external parties and information relating to that had not been disclosed in the financial accounts.	Information should be disclosed.	Accepted.

**1.3.3 Accounts Receivables and Payables**

----- <b>(a) Accounts Receivables</b> -----		
----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(i) Arrears license fees amounting to Rs.29,612 had been shown in the financial statements continuously for more than 10 years. Nevertheless, it was shown in the financial statement without schedules, books and verifiable evidence, and no	Action should be taken to write-off the arrears amount from the books.	I kindly inform you that action had been taken to write-off the arrears amount from the books.

action was taken to recover the arrears or write off from the books.

- |      |   |   |  |
|------|---|---|--|
| (ii) | Action had not been taken to recover arrears loan of Rs.220,826, receivable from 02 retired and resigned officers, from the pension gratuity or guarantors even end of the year under review. | Action should be taken to recover arrears loan from the pension gratuity or guarantors. | Action had been taken to recover arrears loan from the pension gratuity or guarantors. |
|------|---|---|--|

**1.3.4 Documentary Evidences not made available for Audit**

**Information had not been furnished**

Account Item	Amount	Evidence not Presented	Recommendation	Comments of the Accounting Officer
	Rs.			
1. Land and Buildings	87,251,496	Deeds, Register of Fixed Assets	Maintaining fixed assets register	The documents for the land and buildings presented in the Financial Statement have not yet been provided by the Koralaipattu North Divisional Secretariat. The Local Authorities and Assets Registers are maintained by the Sabha for this purpose. Please note that there are also lists for store items.
2. Plane and equipment	13,088,075	Register of Assets, Documents to verify ownership	Maintaining fixed assets register	
Motor vehicles and carts	243,500			
3. General Stores	24,003	Inventory register	Maintaining inventory register	

**1.4 Non-Compliances**

**Non-compliances with Laws, Rules, Regulations and Management Decisions**

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Section 12 (1) and (2) of the Pradeshiya	Although separate committees have been set up for the purpose	Take action to hold committee	I kindly inform you that these

Sabha Act No.15 of 1987 and subsection 31 (1) of the Gazette Notification No. 488/16 of 13 January 1988 of the Ministry of Local Government Housing and Industry

of easing the functions of the Pradeshiya Sabha, to make a complete decision and for matters such as council funds, policy planning, housing construction, social development, technical services, environmental and public utilities, action had not been taken to conduct committee meetings even by the audit date of 10 May 2019.

meetings.

committees will be conducted when the need arises.

(b) Chapter X Section 193 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988

Actual Revenue and Expenditure Details for the year under review were not compared to the budget plan and a statement containing explanations for the variation was not submitted to the audit.

Details of actual revenues and expenses should be compared with the budget plan and explanations should be made for variations.

I kindly inform you that adjustments will be done.

(c) Treasury Circular No. IAI / 2002/02 dated 28 November 2002

A separate fixed asset register had not been maintained to record computer and computer equipment and software.

Action Should be taken according to the circular.

I kindly inform you that, arrangements will be made to maintain books, to record computers and computer accessories, software, this year

## 2. Financial Review

-----

### 2.1 Financial Results

-----

According to the financial statements presented, the recurrent expenditure over revenue for the year ended 31 December 2018 amounted to Rs. 3,219,456 when compared with the recurrent expenditure over revenue of the preceding year amounted to Rs. 5,742,067, thus an improvement of Rs. 2,522,611 had been indicated in the financial result.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Item	2018				2017			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	3,800,000	3,800,000	1,605,822	2,194,178	710,000	710,000	997,853	287,853
Rental	4,197,000	4,543,800	1,753,339	2,790,461	2,935,000	2,935,000	2,588,200	346,800
Licence Fee	717,000	717,000	647,070	69,930	635,000	635,000	689,600	54,600
Other Revenue	2,920,000	3,888,000	1,630,140	2,257,860	3,330,000	3,330,000	2,362,000	968,000
<b>Total</b>	<b>11,634,000</b>	<b>12,948,800</b>	<b>5,636,371</b>	<b>7,312,429</b>	<b>7,610,000</b>	<b>7,610,000</b>	<b>6,637,653</b>	<b>1,657,253</b>

### 2.2.2 Performance of Revenue Collection

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	Action had not been taken to recover arrears license fee of Rs. 29,612 as at 31 December 2017.	Action should be taken to recover arrears charges.	I would kindly inform you that action has been taken to recover these arrears from the Local Government Commissioner.

#### (ii) Utilization of the JCB machine

The Pradeshiya Sabha had purchased the JCB machine with an agreement on 06 September 2016 under the Local Loan and Development Fund (LLDF) and it was also used for Sabha functions and to generate revenue from lending to individuals. The following observations are made in this regard.

- (a) The Pradeshiya Sabha has decided to buy the JCB machine with a loan from the Local Loan and Development Fund, accordingly, the machine was purchased for Rs.11,900,00 with a sum of Rs2,380,000 from the Sabha fund and Rs.9,520,000 from the loan. However, the council had only incurred losses as a result of using this machine.
- The JCB machine purchased on credit basis should be used to generate revenue for the council.
- I would like to inform you that due to the increased public interest in the establishment of the new council in 2018, the utility of the JCB machine was prioritized for the services of the public free of charge, the Sabha had incurred loss.
- (b) The Pradeshiya Sabha had been used this machine for 1560 hours in the year under review. A total sum of Rs. 2,009,600 had been spent on fuel, machine repair, driver's salary. Only a sum of Rs.1,692,000 had been earned by using this machine for 564 hours other than the Sabha activities. When this process is surveyed, the council can lose approximately Rs1,296,000 annually.
- Should be used even to cover the cost of using the JCB machine.
- I kindly inform you that this matter will be settled.

### 2.2.3 Stamp Duty and Courts Fines

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Courts fines amounting to Rs. 1,992,000 and Stamp Duty amounting to Rs. 517,000 were due as at 31 December 2018, from the Chief Secretary of the Provincial Council and all authorities</p>	<p>Should be presented in the financial statements.</p>	<p>Please note that all the court fines and stamp fees have been recovered.</p>

## 3. Operational Review

### 3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) In terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987, by-laws should be imposed and implemented in respect of the revenue and regulation of the Pradeshiya Sabha on key issues. Nevertheless, the Pradeshiya Sabha had</p>	<p>Should act in accordance with the provisions of the relevant Act.</p>	<p>The Department of Local Government of the Eastern Province had asked last month to present the matter to the By-Law council and forward it after taking decisions.</p>

sent proposals on 04 August 2012 to the Ministry of Local Government in the Eastern Province for approval but, As action had not been taken to obtain approval and implement even as at 31 December 2018

Accordingly, I kindly inform that the decision of the Sabha has been given to the Department of Local Government.

**(b) Action Plan**  
-----

In terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987, by-laws should be imposed and implemented in respect of the revenue and regulation of the Pradeshiya Sabha on key issues. However, the annual action plan had not been prepared for the activities that the Sabha had to implement in terms of the by-laws that had been prepared for approval.

Should act in accordance with the provisions of the relevant Act.

I will kindly inform you that this matter will be settled.

**(c) Solid Waste Management**  
-----

5,641,603 was spent on long term and short term programs implemented by the Council on Solid Waste Management. However, the Sabha had earned as income only a sum of Rs. 649,320. The following observations are made regarding solid waste management. The Sabha has not yet implemented its solid waste management development plans.

Should be established the Environmental Protection Committees and implement the Solid Waste Management Development Plans.

At present, we are working with the Department of Health to set up Village Awareness Committees and Environmental Protection Committees and to conduct awareness programs on Solid Waste Management Committees in schools.

**(d) Sustainable Development Goals**  
-----

According to the decision of the Sustainable Development Conference of 2015, led by the Heads of State of the United Nations Member States, Sabha did not establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.

Action should be taken to establish indicators.

I kindly inform that efforts are being made.

**3.2 Management Inefficiencies**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) Although an officer assigned as the revenue supervisor of the Sabha, this official did not make a proposal to increase the revenue of the Sabha.	Should have made a proposal to increase revenue.	I kindly inform that these errors will be resolved this year.
(b) It was observed that the Planning Division of the Sabha had delays in performing key functions such as advising on the progress of the Sabha, conducting new revenue surveys and submitting reports thereon, reporting on environmental polluting agencies, and Identifying development programs and submitting reports on possible sources. This has resulted in a slower pace of development in the Sabha and in the area.	Functions of the Planning Division should be implemented in a systematic manner.	I kindly inform that these errors will be resolved this year.
(c) Even though 02 Supervisors of the Sabha, who are on duty, but they were only assigned for the tasks such as of monitoring the ongoing programs, monitoring the number of roads and sewers, and measuring and documenting the flows. By the segregating of duties, it was observed that these officers were at the Sabha without any duties.	Should be Supervised the duties delegated are discharged properly	I kindly inform that these errors will be resolved this year.

**3.3 Operational Inefficiencies**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) In the case of leasing of property belonging to the Sabha, the lease agreement states that the Securities should be received, but no such documents or guarantee have been obtained.	Agreements should be made after receiving guarantee register or cash.	I kindly inform you that this matter will be rectified.



### 3.4 Assets Management

#### 3.4.1 Assets not Documented

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Even though as per the accounts the total amount of lands and buildings belonging to the Sabha up to the end of the year under review was amounted to Rs. 87,251,496. But, the Sabha had not taken steps to record movable and immovable property in the fixed assets register.	Action to be taken to enter in the fixed asset register	Accepted.

#### 3.4.2 Maintenance and Repairs not Done

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) No necessary arrangements had been made to repair or sell the assets which could not be repaired by the Sabha.	Action should be taken to Repair the suitable items and surveying unsuitable items and selling them at auction.	Accepted.
(b) In the Pradeshiya Sabha storeroom there were different types of assets and inventory items, both suitable and unsuitable for use. However, actions had not been taken to repaired or destroy. Also, the appropriate items for use were not properly packed and kept safe	Action should be taken to Repair the suitable items and surveying unsuitable items and selling them at auction.	I will kindly inform you that these errors will be corrected

### 3.5 Procurement

#### 3.5.1 Procurement Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The procurement plan for the year under review shall be prepared by the Sabha for supply and service. Nevertheless, the Sabha had prepared a procurement plan for the supplies The basic document, the proposals, proposed services in the 4 year development programs of the Local Authorities have not been followed to prepare the procurement plan prepared by the Sabha for services.	Should be prepared a proper procurement plan and action should be taken accordingly.	I will kindly inform you that these errors will be corrected

### 4. Accountability and Good Governance

#### 4.1 Budgetary Control

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Internal audit activities were not carried out during the year under review..	It should be established audit committees and carry out internal audit functions.	I will kindly inform you that these shortcomings will be corrected.

#### 4.2 Audit and Management Committee

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Audit and Management Committees were not established and no Committee Meetings were held by the Sabha during the year under review,	Audit committee meetings should be held and problems should be resolved.	I kindly inform you that these shortcomings will be corrected.