

Koralai Pattu 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 29 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 1.3, financial statements give a true and fair view of the financial position of the Koralai Pattu Pradeshiya Sabha as at 31 December 2018 and its financial performance the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

1.3.1 Accounting Policies

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Financial Statements did not disclose the accounting policies adopted by the Council for the presentation of financial statements.	Accounting policies followed should be disclosed in the financial statements.	Will be disclosed in future.

1.3.2 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although the total machinery and vehicles of the Sabha is 41, the value of each unit has not been assessed by the Department of Valuation and brought to final accounts and the total amount of Rs 12,534,720 relating to those only been disclosed.	Should be valued from the Department of Valuation and the correct value should be calculated and accounted for.	Action had been taken.

- (b) Lands and buildings were not listed and valued by the Department of Valuation and brought to the final accounts. Should be valued from the Department of Valuation and the correct value should be calculated and accounted for. Action had been taken.
- (c) The value of 3,139 books amounting to Rs. 391,801 that have not been returned by readers had not been valued and deducted nos of 1912 unusable books from the closing book stock and shown as assets. Action should be taken to recover from the relevant persons and to remove them from the books. Action had been taken.
- (d) Stamp duty Receivable of Rs. 5,758,400 had not disclosed in final accounts. Receivables should be disclosed in final accounts. Action will be taken in future.
- (e) Courts fine Receivable of Rs.1,018,568 had not disclosed in final accounts. Receivables should be disclosed in final accounts. Action will be taken in future.

1.4 Non-Compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Regulations (Finance and Administration) of 1988			
(i) Chapter I Section 5(XIII)		Action should be taken to recover from the guarantors.	Action will be taken in future.
(ii) Chapter X Section 193	The actual income and expenditure details for the year were not compared with the budget plan	The report should be submitted to audit.	Action will be taken in future.

and the report containing explanations for the variation had not been submitted to the audit

(b) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

 Financial Regulations 1645 and 1646

Should be submitted monthly. Will be submitted in future.

2. Financial Review

2.1 Financial Result

 According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 5,573,659 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 18,638,507, thus an deterioration of Rs.13,064,848 had been indicated in the financial result.

2.2 Revenue Administration

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

 Arrears of Rs. 28,025,288 had been existed without recovered relating to the estimated revenue, billed revenue, collected revenue and arrears of revenue and Rates and Tax, shop rent, license fee and other revenue relating to the year under review and previous year as per the information submitted.

2.2.2 Performance of Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
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There was a decline in Revenue collection as compared to the last year. Last year's total amount of Rs. 28,025,288 remained in arrears, while in the year under review the sum of Rs. 13,596,830 also was in arrears.	Immediate action should be taken to recover arrears income.	Action will be taken immediately.

This was a significant proportion of the Sabha's income and it was shown a slowdown in revenue collection.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
The garbage disposal tax of Rs.435,000 remained in arrear from 08 tourist hotels without recovering.	Immediate action should be taken to recover arrears income.	Action will be taken immediately.

2.2.4 Shop Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
The total shop rentals, market rentals, land leases and JCB lease rentals of Rs.13,161,830 remained in arrears without recovering.	Immediate action should be taken to recover arrears income.	Action will be taken immediately.

2.2.5 License Fee

Audit Observation	Recommendation	Comments of the Accounting Officer
There were no arrears as the amount collected was shown as billed income.	Arrears revenue should be stated.	Will be submitted in future.

2.2.6 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though it was estimated a sum of Rs.25,634,000 as other revenue only a sum of Rs.10,935,353 had been recovered.	Action should be taken to recover the estimated amount.	Action will be taken in future.

2.2.7 Courts Fines and Stamp Duty

(a) Courts Fine Charges

Audit Observation	Recommendation	Comments of the Accounting Officer
Courts fine amounted to Rs.1,018,568 and stamp duty amounted to Rs. 5,758,400 had been receivable from Chief Secretary to the Province and other authorities as at 31 December 2018.	Action should be taken to recover within the specified period.	Action will be taken in future.

3. Operational Review

3.1 Performance

Delays in performing duties

Audit Observation	Recommendation	Comments of the Accounting Officer
I Provisions of Rs,2 million had been made for the construction of the road connecting the Kalaivani road and the Wipulananda road with the drainage system in the year 2017 but the provision had already been accounted in the minor credit account without been taking action to build the roads even by 31 March 2019.	The provisions made should be utilized for the relevant purposes.	No comments.
II Provision of Rs.850,000 has been made in the year 2017 for the construction of Korawalimadu Sub Office Road. However, the work had not yet begun as of 31 March 2019 and the money had been accounted in the minor loan account.	The provisions made should be utilized for the relevant purposes.	No comments.

(b) 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.

Implementation of functions according to the decision of the Sustainable Development Conference in 2015.

Steps have been taken to prepare the Indicators for the development programs agenda to be achieved in 2030.

(c) Solid Waste Management

Audit Observation

Recommendation

Comments of the Accounting Officer

Due to the lack of proper management of solid waste, the Central Environmental Authority has not issued permits to the newly constructed solid waste collection centre. This is because organic fertilizer is not produced from decaying garbage.

Permits should be obtained. organic fertilizer should be produced

Action will be taken in future.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) It was recovered tax of 1 per cent from total income of registered resorts for 10 years.

Action should be taken to recover Tax.

Decision could not be made.

(b) The total rent arrears due from 83 persons was Rs.11,844,640 and it has been arrear for a long time from 1993.

Action should be taken to recover Tax. Otherwise legal action should be taken.

Immediate action will be taken.

(c) Gully Bowser No. LA 3604 due to minor repairs in 2010 without

It should be taken immediate action.

Immediate action will be taken.

repairing it immediately, after a lapse of nine years; it had been repaired in 2018 spending a sum of Rs. 1 million. However, due to non-receipt of the relevant documents, they were stopped again until March 2019.

- (d) According to the cash book maintained in the year under review of the Sabha, cash balances existed ranged from Rs. 25 million to Rs. 30 million. Nevertheless, the Sabha had lost nearly an income Of Rs. 02 million because action had not been taken to invest effectively and generate revenue
- Action should be taken to maintain a proper cash balance and earn income.
- Attention will be made in future.
- (e) During the year under review 23 roads were gravel for a sum of Rs.3,032,600. Valuation reports had been prepared after the completion of some of the roads and though the gravel is not properly crushed, it can be damaged quickly in the rainy season.

3.3 Human Resource management

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	It had been recruited 15 employees in the year 2015 and 48 employees in the year 2017 without obtaining prior approval and consent. This resulted in 68 employees in addition to the approved cadre.	Excess human resources should be used in a systematic manner.	Will be considered in future.
(b)	Arrears loan of Rs. 221,952 which should be recovered from 05 employees who were resined their posts 5 years ago continuously shown in financial statements, without taking	Action should be taken to recover from the relevant persons or guarantors promptly.	

action to recover from the relevant persons or guarantors.

3.4 Transactions in Contentious Nature

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Although small loans in the final accounts for the year under review indicated that a sum of Rs 1,813,900 had to be paid to the distributors of "Ramya" for the supply of gravel, there was no evidence that the gravel had provided.	Investigate and take appropriate action promptly.	Comments not made clearly.

3.5 Assets Management

----- Failure to Document Assets -----		
----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Necessary measures have not been taken by the Sabha to identify and mark all lands and buildings belonging to the Sabha by the end of the year under review.	Action should be taken to identify assets.	Action will be taken in future.

3.6 Identified Losses

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Action has not been taken to return back or recover its value from the relevant persons regarding the value of 3,139 books amounting to Rs. 391,801 that have not been returned by readers.	Action should be taken to recover the loss.	Action had been taken.
(b) A sum of Rs. 1,514,815 had been spent to install street lighting during the year under review. But,	The loss should be recovered.	Decision had not been taken.

Receipts and Issues were not properly documented in accordance with Financial Regulation 751 (1). Those had bought more than the requirement without paying attention to needs and public demands. Further, the Sabha had incurred a loss of Rs.66,500 from this purchasing as the procurement process had not been properly followed.

3.7 Procurement

3.7.1 Procurement Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The procurement plan for the year under review was not prepared and purchases were made accordingly.	This plan should be prepared annually.	Will be prepared in future.

3.7.2 Contract Administration

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) After paying a sum of Rs.924,053 to the contract for construction of a market building on the land belonging to the Sabha in 2016, the construction was not yet commenced due to unlawful claim by another person.	Immediate legal action should be taken to recover.	No action had been taken.

(b) Graveling the Roads

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
In terms of Paragraph 1.2 of the Circular No. 2016/01 dated 30 December 2015 of the Finance	Circulars should be followed.	Action will be taken in future.

Commission it has been stated that in the implementation of development programs with the capital allocation, it should be done carpeting, tarring or concreting which can be used for a long period of time preventing the gravel and temporary construction of provincial roads. Nevertheless, contrary to that 23 roads in the year under review were gravelled at a cost of Rs 3,032,630.

3.7.3 Receivables and Payables

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	Action had not been taken to recover (settle) the advances amounting to Rs.949,991 made for the various purposes in the year under review.	Immediate action should be taken to recover.	Action had been taken.
(b)	Action had not been taken to recover the garbage disposal arrears charges amounting to Rs.435,000 from 09 tourist hotels.	Immediate action should be taken to recover.	Action had been taken.
(c)	When the JCB was rented by the Sabha, no action had been taken to collect Rs 1,310,600 from government agencies and individuals In 21 occasions.	Immediate action should be taken to recover.	Action had been taken.

4. Accountability and Good Governance

4.1 Budgetary Control

	Audit Observation	Recommendation	Comments of the Accounting Officer
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	It was observed that the budget was not used as a control unit as	The budget should be prepared considering	Action will be taken in the future.

it was recovered much lower than the estimated revenue. the previous year and the next year.

	Estimated Value -----	Actual Value -----	Difference -----
	Rs.	Rs.	Rs.
Lease	16,672,000	525,770	16,146,230
Rental	14,345,000	9,989,969	4,355,031

4.2 Internal Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
In terms of the Pradeshiya Sabha act No. 15 of 1987, an internal audit unit was not established.		Action had been taken.

4.3 Audit and Management Committee

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Audit and Management Committee Meetings should be held at least once a quarter, but no Committee Meetings were held during the year under review.	Audit committee meetings should be held to resolve issues	Action had been taken.