

Koralai Pattu Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 28 February 2020 and the Summarized Auditor General's Report and the Detailed Management Report were sent on 19 June 2020 to the Chairman.

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 Pradeshiya Sabha as at 31 December 2019 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 Policies

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
The Financial Statements did not disclose the accounting policies adopted by the Sabha for the presentation of financial statements.	Accounting policies adopted should be disclosed in the financial statements.	Accepted.

1.3.2 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
The value of 3,139 books amounting to Rs. 391,801 that have not been returned by readers and the value of 1,912 books that have destroyed had not been valued and deducted from the closing book stock and shown as assets.	All books that have not been returned should be valued, deducted from the final book inventory and submitted.	Accepted

1.3.3 Receivables and Payables Accounts

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	No action had been taken to recover Rs. 949,991 which had been paid in advance for various purposes during the year under review.	Need to take action to recover promptly.	Further action has been taken.
(b)	No action had been taken to collect the solid waste disposal fee of Rs. 435,000 from 09 tourist hotels.	Need to take action to recover promptly.	Further action has been taken.

1.4 Non-Compliance

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

Instances of non-compliance with Laws, rules, regulations, and management decisions are as follows.

	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 1645 and 1646	Vehicle running charts and monthly summaries of vehicles used by the Sabha were not submitted to the Auditor General.	Must be submitted monthly to the Auditor General.	Accepted

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the recurrent expenditure over revenue for the year ended 31 December 2019 amounted to Rs. 6,337,224 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 5,573,659.

2.2 Revenue Administration

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

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Item	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	10,300,000	402,100	402,100	-	16,672,000	525,790	525,790	-
Lease Rent	16,007,000	6,931,985	6,931,985	13,498,226	14,345,000	5,771,622	5,771,622	13,161,830
License Fee	3,367,500	4,461,956	4,461,956	-	3,331,000	4,355,260	4,355,260	-
Other Revenue	<u>26,899,000</u>	<u>20,983,612</u>	<u>20,983,612</u>	<u>340,000</u>	<u>25,634,000</u>	<u>111,105,685</u>	<u>10,935,353</u>	<u>435,000</u>
Total	<u>56,573,500</u>	<u>32,779,653</u>	<u>32,779,653</u>	<u>13,838,226</u>	<u>59,982,000</u>	<u>133,603,017</u>	<u>120,006,187</u>	<u>13,596,830</u>

2.2.2 Revenue Collection Performance

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <u>Shop Rent</u>	The total shop rentals, market rentals, land leases and JCB lease rentals of Rs.1,317,150 remained in arrears without recovering.	Immediate action should be taken to recover arrears income.	Accepted
(b) <u>License Fee</u>	There were no arrears as the amount collected was shown as billed income.	Immediate action should be taken to recover arrears income.	Accepted
(c) <u>Courts Fine and Stamp Duty</u>	Courts fine and stamp duty had been receivable from Chief Secretary to the Province and other authorities as at 31 December 2019.	Action should be taken to obtain court fines and stamp duty.	Accepted

3. Operational Review

3.1 Performance

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Delays in Performing Duties			
	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 2020.	The provisions made should be utilized for the relevant purposes.	Accepted
(b) Sustainable Development Goals			
	Sabha did not establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.	Steps should be taken to establish indicators for measurement in relation to the Sustainable Development Programs Agenda.	Accepted

3.2 Management Inefficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Although tourist resorts registered with the Sri Lanka Tourist Board are required to pay 1% of their total revenue in terms of Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, 14 luxury hotels operating in the Pasikudah area registered with the Sri Lanka Tourist Board were not paid the charges for the past 10 years.	Need to take action to charge fee.	Accepted
(b)	The Sabha had not taken action to recover or take legal action from the year 1993 regarding arrears shop rent and leases amounting to Rs.12,181,066 from 25 roadside stalls, 27 general market stalls, 10 chicken stalls, Pasikuda parking fees from	Need to take action to recover shop rent or should take legal action.	Accepted

ten persons, Cultural centre fees from six persons and rent and taxes from thirty persons.

- (c) 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 the required cash balance and to earn income. Accepted

3.3 Human Resource Management

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	There were 66 employees in addition to the approved cadre.	Staff should be recruited with approvals.	Accepted.
(ii)	Action had not been taken to recover from the relevant person or guarantors relating to arrears loan of Rs. 221,952 which should be recovered from 05 employees who were resined their posts 5 years ago.	Action should be taken to recover loan.	Accepted.

3.4 Assets Management

3.4.1 Maintenance and repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
The tank of the water bowser bearing No. JZ-8145 was damaged and had not been repaired for more than 2 years.	Action should be taken to repair and use.	Accepted

3.4.2 Utilization of Vehicles

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) According to the circular No. EST-6 / T PORT / 05/3515 30/2016 of the Ministry of Public Administration	Should be checked every 06 months.	Accepted

Management dated 29 December 2016, the mechanical engineer should inspect the driving distance per litre of fuel annually, but this was not done.

- | | | | |
|-------|--|--|----------|
| (ii) | 08 vehicles had not obtained registration books as per the Motor Vehicle Registration Act. | Action should be taken to obtain vehicle registration books. | Accepted |
| (iii) | Revenue Licence had not been obtained for 07 vehicles. | Action should be taken to obtain Revenue Licence. | Accepted |
| (iv) | No other appropriate action was taken against the 07 unusable vehicles. | Appropriate other measures should be taken in respect of vehicles that cannot be used. | Accepted |

3.5 Procurement

3.5.1 Procurement Plan

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

3.5.2 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) An agreement was signed on 15 October 2016 for the construction of a new market building on the land owned by the Sabha. However, after the commencement of construction work on the land and completion of the work worth Rs.924,053, the construction work was abandoned by the contractor due to illegal claim by another person. However, the Sabha had not taken appropriate action to seize the land and commence work.	Urgent legal action should be taken.	No action has been taken.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation -----	Recommendation -----	Comments of the Accou Officer -----
An Internal Audit Unit had not been established.	An internal audit Unit should be established.	Actions has been taken.

4.2 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 and Management Committee meetings should be held.	Actions has been taken.