

Koralaipattu North Pradeshiya Sabha

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 16 May 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 North 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 observations were made.

- (a) Provision had not been made in the accounts for the audit fee amounting to Rs. 13,000 payable for the year under review.
- (b) A sum of Rs. 3,208,980 spent to purchase capital assets had been shown under operating activities instead of being shown under investing activities in the Cash Flow Statement.

1.3.2 Lack of Documentary Evidence

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

Item	Value	Lack of Evidence
	Rs.	
Lands and Buildings	81,562,259	Title Deed
Plant and Machineries	786,500] Register of Fixed Assets
Furniture and Fittings	1,123,129	

1.3.3 Non - compliance with Laws, Rules and Regulations etc;

Non-compliances with Laws, Rules etc. are analysed and given below.

Reference to Laws, Rules, Regulations etc;	Non-compliance
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(a) Treasury Circular No. IAI/2002/02 dated 28 November 2002	Registers had not been maintained to record 13 computers, computer accessories and computer software.
(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988	

(i) 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.
(ii) Rules 193 of Chapter X	A statement including the reasons for the variance after comparing the actual revenue and expenses with the budget for the year under review had not been prepared and rendered to audit.

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 had amounted to Rs. 4,944,988 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 2,415,575 for the previous year thus indicating an improvement of Rs. 2,529,413 in the financial results.

2.2 Revenue Management

Following matters were observed.

(a) Recovery of Charges for Telecommunication Towers

Although 10 telecommunication towers had been erected within the area of the Sabha, erection charges and annual license fee amounting to Rs. 180,000 had not been recovered for 4 towers from the year 2009.

(b) Rates and Taxes

Action had not been taken to recover the Rates in terms of Section 134 of the Pradeshiya Sabha Act No. 15 of 1987 for the lands, houses and buildings constructed within the area of authority of the Sabha. As a result the sabha had lost revenue from this main source of income annually.

3. Performance Review

3.1 Management Inefficiency

Action had not been taken to transfer the ownership of 13 motor vehicles to the Sabha which were obtained as donation from the Institutions such as Chief Secretary, Eastern Province, Regional Assistant Commissioner of Local Government and the Ministry of Provincial Councils and Local Government, during the period from 2005 – 2006.

3.2 Vehicle Utilization

The Government emblem had not been embossed on 18 vehicles which were being used by the Sabha.

3.3 Un utilized Assets of the Sabha

A tractor to the value of Rs. 300,000 obtained during the year 2001 and a trailer obtained during the year 2005 from the Chief Secretary, Eastern Province remained idle for five years without action being taken to repair and utilize or sell in auction.

4. Systems and Controls

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

- (a) Accounting
- (b) Revenue management
- (c) Internal Control