

Koralaipattu West Pradeshiya Sabha – 2017

Batticaloa

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted to Audit on 11 May 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 13 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statement give a true and fair view of the financial position of the Koralaipattu West Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Excepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The stamp duty of Rs.567,800 to be recovered in the year under review had not been disclosed in the financial statements.

1.3.2 Accounts Receivables

Rs.59,416 due to be collected in respect of loans given to six employees who transferred, suspended and retired had been outstanding since 1998. But no action had been taken to recover it from collaterals or the pension gratuity.

1.3.3 Lack of Documentary Evidence

Deeds for the land and building valued at Rs.35,936,292 shown in financial statements in the year under review, had not been submit to Audit.

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

Instances of non-compliances with laws, rules, and regulations during the audit were analyzed and observed below.

Relating to Laws, and Rules, etc.

Non-compliance

- (a) Predeshiya Sabha Financial Administration Rules 1988

Chapter 1 of 5 (XII)
- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulation 571
- (ii) Financial Regulation 1645 and 1646
- No bond had been obtained from two officers involved in the payment of cash, stores and cheques.
- The amount Rs.81,148,122 deposited as question deposit, contract deposit and other deposit during the period from 2009 to 2014, but no action had been taken to pay or receive as income according to the provision of the Financial Regulations.
- The daily running charts with the monthly performance summaries of Sabha's vehicle should be submitted to the Auditor General on 15th of the following month but the running charts and monthly performance summaries of Sabha's vehicles had not been submitted to the Auditor General.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of Recurrent Expenditure over Revenue for the year ended 31 December 2017 had amounted to Rs.6,811,723. Compared to this, the excess of Revenue over Recurrent Expenditure for the previous year amounted to Rs.899,694 thus indicating an increase of Rs.5,912,029 in the financial results.

2.2 Revenue Management

Following observations are made.

(a) Court Fines

Action had not been taken to recover the Court Fines amounting to Rs.2,082,066 outstanding before 2013.

(b) Rent in Arrears

Action had not been taken to recover the rent arrears amounting to Rs.469,920 prior to 2017.

(c) Lease in Arrears

No action had been taken to recover the lease outstanding to Rs.62,166 prior the year under review.

3. Operational Review

3.1 Performance

Following observations are made

(a) Sustainable Development Goals

According to resolutions at the 2015 Sustainable Development conference chaired by the Head of States of United Nations, no action had been taken to develop measurable indicators for the development Agenda to be achieved by the Sabha by 2030.

(b) Maternal and Child Care

Of the 467 babies born 35 (7.5%) babies were underweight at authoritative area of the Sabha in 2017. But, even though Rs.200,000 was allocated in the budget for maternal and child care welfare by the Sabha, the cost of the project had not been met. Further, the number of babies born in 2014, 2015 and 2016 was 471, 391 and 405 respectively, of these underweight babies were 36, 23 and 32. Even though, the fund was allocated for maternal and child care in 2017, only Rs.56,000 had been spent for the project.

(c) According to the annual act No.29 of 1958, bulls were not slaughtered in accordance with the provision of the act. Thus, there are chances that the bulls will be illegally slaughtered.

3.2 Management Inefficiencies

The following matters were observed.

- (a) The arrears of the tax to be received from Valaichenai paper factory is Rs.11,937,904 till the end of the year under review. But no action had been taken to collect, or clear the records.
- (b) JCB machine working for 222 hours for Sabha's work, has received an additional amount Rs.2,321,550. But Rs.1,062,484 for repair, Rs.1,207,369 for fuel, Rs.700,000 for salary of the Directors and assistants, total expenditure was Rs.3,224,860 in the year under review. But even though this machine is flawed in 2017, it had not been repaired yet.

(c) **Purchase of Excavator**

Following observations were made.

- (i) Rs.10,950,000 was spent to purchase an Excavator in March 2017. But there were no person in Sabha to operate this machine. Further, the wheel of this machine is chain, so can more this machine with a support of another vehicle only. As well as the machine was found to be inappropriate for dry region and also the JCB machine already in the Sabha has incurred a loss of Rs.903,310. Without considering these all, the Excavator had been purchased by the Sabha.

- (ii) Since the interest on the loan is Rs.60,000 per month, Rs.840,000 had been paid as interest for the period of 14 months from April 2017 to May 2018. But for the period of time, Rs.340,000 only had been received as income. Therefore, the loss in this period alone amounted to Rs.500,000. In addition, of the investment was made at an effective rate of 11% interest per annum, Rs.1,405,250 could have been earned without any loss.

3.3 Idle Assets

The 4 wheeler plowing machine of the Sabha has not been used since 2010 and which has been parked in the courtyard of the Sabha. However, no action had been taken either to repair and use it or sell it in auction.

3.4 Solid Waste Management

Fertilizer processing plant from solid waste was established in 2016.Rs. 1,860,000 was provided for the disposal of waste and other expenses by UNEPS. Further, Rs. Rs. 17,822,853 was spent by the Sabha. But the process of making fertilizer had not been carried out in the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranged 43 per cent to 113 per cent were observed between the estimated and actual expenditure. Accordingly it was observed that the budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

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

Controls

- (a) Accounting
- (b) Revenue Management
- (c) Preparation of Budget
- (d) Solid Waste Management

Items that need special attention

- Ledger accounts should be updated and maintained properly.
- Taking action to recover the revenue in arrears.
- Relevant subjects should be analyzed and consider While prepare the budget
- Dumping of solid waste should be planned properly and implement the same.