

## **Koralaipattu North 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 23 March 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 North 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 Policies**

Financial statements for the year under review had not been prepared in an accrued basis.

###### **1.3.2 Accounting Deficiencies**

The following deficiencies are made.

- (a) Rs.575,700 had to be levied by renting out the machineries of the sabha during the year under review. But this amount had not been disclosed in the financial statement.
- (b) Stamp duty amount of Rs.747,717 to be levied from 2006 to 2009. But this amount had not been brought into the financial statements.
- (c) Rs.2,193,814 was shown as the balance of the loan, according to the employees loan list of officers of the sabha. But Rs.2,534,402 had been shown as the balance in the financial statements.

###### **1.3.3 Receivables**

A loan balance amounted to Rs.148,490 had been outstanding since 2013 from a person left the service was shown as arrears.

###### **1.3.4 Lack of Documentary Evidence**

The evidence indicated against the following items of account shown in the financial statements had not been furnished for audit.

<b>Item</b>	<b>Value (Rs.)</b>	<b>Lack of Evidence</b>
Lands and Buildings	87,251,495	Title Deed and Fixed Assets Register
Plant and Machineries	13,088,075	Register of Fixed Assets
Furniture and Fittings	2,216,219	
Refundable Deposits	5,403,280	Detailed Schedules
Advance Payment	3,516,372	

### 1.3.5 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.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
(a) Predeshiya Sabha Financial and Administration Rules 1988 Chapter 1 of 5 (XII)	No security had been obtained from two officers involved in the payment of cash, stores and cheques.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 1645 and 1646	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.1,777,967. Compared to this, the excess of Revenue over Recurrent Expenditure for the previous year amounted to Rs.927,396 thus indicating deterioration of Rs.2,705,363 in the financial results.

## **2.2 Revenue Management**

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### **2.2.1 Performance of the Collection of Revenue**

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The following observations are made.

- (a) Rs.49,000 had to be levied by renting out the JCB machine of the Sabha during the year under review, which remains uncharged and remains outstanding in 2018.
- (b) Rs.226,800 had to be levied by renting out the Vibrating Roller machine of the Sabha without any agreement being made in 2016. But no action had been taken to charge this.

### **2.2.2 Rent and Rates**

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In terms of Section 134 of the Local Authorities Act No.15 of 1987, no action had been taken to collect the taxes for the lands and houses and buildings constructed thereon of the authoritative area of the Sabha.

## **3. Operational Review**

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### **3.1 Performance**

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#### **Sustainable Development Goals**

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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.

### **3.2 Management Inefficiencies**

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According to the statistical list of Batticaloa Regional Health Service Director, the number of babies born at Vakara Government Hospital in the Authoritative area of Koralaipattu North Pradeshiya Sabha during the years 2016 and 2017 had been 77 and 81 respectively among them under weight babies were 17 and 16, respectively. Even though, Rs.75,000 and Rs.50,000 were allocated respectively in the budget for maternal and child welfare service in 2016 and 2017, but the cost of the project had not been met.

### **3.3 Human Resources Management**

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The following observations are made.

- (a) According to the Public Administration Circular No.25/2014, when employees are recruited on caused and contract basis, the prior authorization of the Department of Management Service and the approval for provision of funds should be obtained. However, a total of 18 employees had been recruited including 14 employees in 2016 and 4 employees in 2017, on causal and contract basis without obtaining the prior authorization and approval.

- (b) According to Circular No.02/2011 dated 24 February 2011 of the Department of Pensions, employees and employer should contribute 8 per cent from employees and 12 per cent from the local government institution of the salary respectively to the Public Service Provident Fund for casual and temporary employees. However, the contribution had not been remitted to the Public Service Provident Fund in respect of 12 employees recruited over the years.

### 3.4 Operating Inefficiencies

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No action had been taken to formally acquire the rights the 19 cemeteries located in the Authoritative area of the Sabha.

### 3.5 Transactions of Continuous Nature

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The following observations are made.

- (a) The Sabha had paid Rs.219,375 to build a temporary tent for the coconut plantation in prior to the year under review. The value of the work completed during the field inspections was Rs.163,164. Thus, Rs.56,211 had been paid additionally to the contractor by the Sabha.
- (b) The Sabha had paid Rs.173,740 to remove the wooden doors and replace the 7 new aluminium doors in the office building in the year under review. The value of the work completed during the field inspections was Rs.114,288. Thus, Rs.173,740 had been paid additionally to the contractor by the Sabha.

### 3.6 Contract Administration

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#### Laying Gravel to Roads

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It was stipulated in the Finance Commission Circular No.2016/01 dated 30 December 2015 that the view of enhancing the efficient utilization of Capital Fund, temporary road constructions such as gravelling the roads should be avoided except carpeting, concreting and tarring for long term usage under the fund allocation for Provincial Development Projects. However, four roads had been gravelled during the year under review at a cost of Rs.870,000 contrary to the circular instructions.

## 4. Systems and Controls

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

<u>Controls</u>	<u>Items that need special attention</u>
(a) Accounting	Accounting for receivables and payables.
(b) Revenue Management	Taking action to recover the revenue in arrears.

(c) Human Resource Management

When recruiting employees to the Sabha, they must be appointed after the prior approval of the Department of Management Services.