

Koralai Pattu North 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 09 January 2020 and the summarized Auditor General's Report on that financial statements was sent to the Chairman on 25 June 2020 and the detailed management report was sent on 19 June 2020.

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 North 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 Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	The value of renting the council's JCB machine, water bowser, etc. to a contractor was Rs. 224,000, which had not been taken into account.	Relevant amounts should be recovered and accounted for.	Accepted.
(b)	The computer sets donated by the Ministry of Local Government and Provincial Councils to the Sabha had not been accounted for.	The value of the assets purchased should be taken into account.	Accepted.

1.3.2 Accounts Receivables and Payables

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Action had not been taken to recover arrears loan of Rs.214,603, receivable from 02 retired and resigned officers, from the pension gratuity or guarantors even end of the year under review.	Action should be taken to recover the relevant amount.	Accepted.

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| (b) | The Sabha had not taken action to charge Rs.428,161 for the distribution of water to the public. | Action should be taken to recover the relevant amount. | Accepted. |
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1.3.3 Lack of Documentary Evidences

Audit Observation	Recommendation	Comments
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Seven subjects of accounts amounting to Rs.104,438,304 could not be satisfactorily verified during the audit due to non-submission of land deeds, asset documents, inventory register and proof for the ownership.	Evidence for the items should be submitted.	Accepted.

1.4 Non-Compliances

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

Instances of non-compliances with Laws, Rules, Regulations and Management Decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
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(a) Section 12 (1) and (2) of the Pradeshiya Sabha Act No.15 of 1987 and subsection 31 (1) of the Gazette Notification No. 488/16 of 13 January 1988 of the Ministry of Local Government Housing and Industry	Although separate committees have been set up for the purpose of easing the functions of the Pradeshiya Sabha, to make a complete decision and for matters such as council funds, policy planning, housing construction, social development, technical services, environmental and public utilities, action had not been taken to conduct committee meetings even by the audit date of 10 May 2020.	Action should be taken to appoint separate committees for each activity of the Sabha.	Accepted.

- (b) Chapter X Section 193 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988 Actual Revenue and Expenditure Details for the year under review were not compared to the budget plan and a statement containing explanations for the variation was not submitted to the audit. Details of actual revenues and expenses should be compared with the budget plan. Accepted.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 702,851 against with the recurrent expenditure over revenue of the preceding year amounted to Rs. 3,219,456.

2.2 Revenue Administration

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

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Item	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,560,000	1,636,551	1,208,390	428,161	3,800,000	1,605,822	1,605,822	-
Rental Licence Fee	3,925,000	3,336,627	3,129,127	207,500	4,197,000	1,753,339	1,723,726	29,612
Other Revenue	815,000	703,140	703,140	-	717,000	647,070	647,070	-
	7,405,000	1,067,700	877,450	190,250	2,920,000	1,630,140	1,630,140	-
	<u>14,705,000</u>	<u>6,744,018</u>	<u>5,918,107</u>	<u>825,911</u>	<u>11,634,000</u>	<u>5,636,371</u>	<u>5,606,758</u>	<u>29,612</u>

2.2.2 Stamp Duty

Audit Observation

Stamp Duty amounting to Rs.190,250 were due as at 31 December 2019, from the Chief Secretary of the Provincial Council and all authorities.

Recommendation

Action should be taken to obtain all stamp duty due from the Provincial Council for the year 2019

Comments of the Accounting Officer

Such errors will be corrected in the future.

3. Operational Review

3.1 Performance

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a) By-Laws			
	In terms of Section 126 of the Pradeshiya Sabha Act No.15 of 1987, by-laws should be imposed and implemented in respect of the revenue and regulation of the Pradeshiya Sabha on key issues. Nevertheless, the Pradeshiya Sabha had sent proposals on by-laws on 04 August 2012, to the Ministry of Local Government in the Eastern Province for approval but, action had not been taken to obtain approval and implement even as at 31 December 2019.	Taking action to obtain the approval of the Ministry of Local Government, Eastern Province for the by-laws of the Sabha.	Such shortcomings will be rectified in the future.
(b) Action Plan	An annual action plan had not been prepared.	An annual action plan should be prepared.	Such shortcomings will be rectified in the future.

3.2 Operational Inefficiencies

Following Observations are made.

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Out of the Sabha fund amounting to Rs.875,000, a total sum of Rs. 479,000 aggregating a sum of Rs.255,000 from the manner in which an advance was paid to a contractor in an informal manner and due to a report issued by a technical officer that an unfulfilled task was performed falsely and a sum of Rs.244,000 from renting the machine owned by the Sabha not recovered due to negligence due to the release of the contractor's contract security money.	Should be charged from the Secretary and the Technical Officer.	Accepted.

- (b) Due to the shop complex at Alamkulam, which was built at a cost of Rs. 2 million in 2018, was built in an unsuitable location, due to the lack of electricity, water supply, surrounding walls, toilet facilities, all the 08 shops have been closed for the last 02 years and no income has been earned.
- The relevant shop complex should be activated in such a way as to generate revenue.
- Accepted.

3.3 Assets Management

3.3.1 Assets not Documented

Audit Observation	Recommendation	Comments of the Accounting Officer
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Even though as per the accounts the total amount of lands and buildings belonging to the Sabha up to the end of the year under review was amounted to Rs. 99,391,166, the Sabha had not taken steps to record movable and immovable property in the fixed assets register	All movable and immovable property must be documented in the Fixed Assets Register.	Accepted.

3.3.2 Maintenance and Repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) 01 backhoe machine, 1 water bowser, 02 tractors, a small tractor, a mixer, two rollers, 02 pressure machines owned by the church had not been repaired or sold at auction for more than 03 years.	Repairs should be made in a timely manner.	Accepted.
(b) The stores had not been properly maintained and no action had been taken to repair or destroy the assets that needed to be repaired.	Actions should be taken to repair or auction the relevant assets.	Accepted.
(c) The CANON - FX 600 camera worth Rs. 369,338 has not been repaired for a long time and has been in a dilapidated condition since 2016.	The relevant camera should be repaired and used.	Accepted.

3.4 Procurement

Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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The procurement plan for the year under review had not been prepared.	The procurement plan should be prepared	Such shortcomings will be rectified in the future.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Internal Audit activities had not been implemented during the year under review.	An internal audit unit should be implemented.	Such shortcomings will be rectified in the future.

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Audit and Management Committees were not established and no Committee Meetings were held.	The Audit and Management Committees should be established and Committee Meetings should be held.	Such shortcomings will be rectified in the future.