

**Pachchilaipalli Pradeshiya Sabha  
Kilinochchi District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2016 had been submitted to audit on 03 April 2017 and the financial statements for the preceding year had been submitted to audit on 31 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 18 July 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Pachchilaipalli Pradeshiya Sabha as at 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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Revenue of Rs. 10,050 had been understated in the financial statements in an instance.

**1.3.2 Non-compliances with Laws, Rules and Regulations**

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The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

**Reference to Laws, Rules and Financial Regulations**

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(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988.

(i) Rule No. 140 of Chapter V

(ii) Rule No. 178 (3) of Chapter VIII

**Non-compliances**

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Meaningful actions had not been taken by the Sabha in respect of advances of Rs. 2,144,348 paid in the year 2016 within the stipulated time period.

A register in respect of approved institutions and contractors had not been prepared.

(iii) Rule No. 180 Chapter IX

Security money had not been obtained from the officers who are responsible for cash and store.

(b) Widows' and Orphans' Pension Scheme Act No. 19 of the year 1985

The widows' and orphans' pension contribution of Rs. 16,080 recovered from the employees had been kept in the miscellaneous deposit account for the period ranging from 01 to 02 years without being remitted to the Department of Pensions.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571

No actions had been taken by the Sabha relating to 19 items totalling Rs. 1,223,616 for over the last two years.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 9,312,671 as compared with the corresponding excess of income over recurrent expenditure of Rs. 11,550,325 for the preceding year, thus indicating a deterioration in the financial results by Rs. 2,237,654.

### 2.2 Revenue Management

#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman are given below.

Item of Revenue	Estimated	2016	
		Actual	Cumulative Arrears as at 31 December
	Rs.	Rs.	Rs.
Rates and Taxes	-	-	-
Lease Rents	6,256,696	4,128,681	194,541
License Fees	300,500	368,910	500
Other Revenue	41,762,645	36,151,963	4,655,844
<b>Total</b>	<b>48,319,841</b>	<b>40,649,554</b>	<b>4,850,885</b>

### **2.2.2 Rates and Taxes**

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A assessment register in respect of assessment tax on property had not been maintained by the Sabha for the year under review in terms of section 32 of chapter III of Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 and rates and taxes had also not been recovered.

### **2.2.3 Accounts Receivable**

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Action had not been taken to recover nine items totalling Rs. 2,216,718 shown in the revenue debtor account within the intended period and it had been shown as arrears in the revenue debtor account for the period ranging from 01 to 04 years.

### **2.2.4 Stamp Fees**

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Meaningful action had not been taken by the Sabha to recover stamp duty fees totalling Rs. 2,724,727 receivable from the Registrar General of Lands for the period ranging from the last 01 year to 07 years.

## **3. Operating Review**

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### **3.1 Operating Inefficiency**

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It was observed that a sum of Rs.17,853 had been kept in the current account no. C 2713 of the Sabha in the Bank of Ceylon over the last 07 years without being utilized.

### **3.2 Vacancies of Cadre**

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Eleven staff vacancies of the Sabha had not been filled. As a result, it could not be ascertained in audit that the works of the Sabha had not been affected.

### **3.3 Identified Losses**

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The total loss of Rs. 674,407 had incurred due to the accident of single cab vehicle belonging to the Sabha valued at Rs. 5,190,000 on 27 October 2015. A sum of Rs. 526,587 had only been obtained from the Insurance Company. Balance amount of Rs. 147,820 had not been brought to accounts as losses and proper inquiry had also not been conducted in terms of financial regulation 104(4)

### **3.4 Solid Waste Management**

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The activities of burning and burying had only been carried out by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, actions had not been taken by the Sabha to implement solid waste management including the compost and recycling projects.

#### **4. Accountability and Good Governance**

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##### **4.1 Internal Audit**

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The Sabha had not established an internal control through the internal audit of its activities and internal audit unit had not been established. As a result, internal examinations of account for the year under review had not been carried out.

##### **4.2 Budgetary Control**

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Budget estimate had not been prepared properly. As such, variance of Rs. 7,670,288 between the budgeted income and actual income and variance of Rs. 9,488,348 between the budgeted expenditure and actual expenditure were observed in audit.

##### **4.3 Unresolved Audit Paragraph**

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The Chairman had used the pickup vehicle belonging to the Sabha for his private purpose to travel to out of district of Vavuniya in 2012 in contrary to the Pradeshiya Sabhas Act no. 15 of the year 1987. It was observed that a sum of Rs. 109,573 had been spent from the fund of the Sabha for the fuel usage of 921 liters diesel for running 7,279 kilometers for the period ranging from 09 January 2012 to 25 June 2012 for his private purpose. Any effective actions had not been taken by the Sabha in this regard even 04 years lapsed as at 31 December 2016 since the incident was informed.

#### **5. Systems and Controls**

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Special attention is needed on the following matters.

- (i) Recovery of revenue arrears
- (ii) Utilization of Vehicles
- (iii) Contract Administration
- (iv) Revenue Registers
- (v) Supervision of Personnel