

Thunukkai Pradeshiya Sabha

Mullaitivu District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 25 June 2013 and the financial statements for the preceding year had been presented on 04 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 07 October 2013.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Thunukkai Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012. and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Thunukkai Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The accounting deficiencies observed in the financial statements are shown under assets, revenue and expenditure in the following table.

Effect on Financial Statements	Assets		Revenue		Expenditure	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Understatement	--	--	1	405,900	--	--
Overstatement	--	--	--	--	1	36,000
Classification Error	1	80,000	--	--	--	--

1:3:2 Lack of Evidence for Audit

Transactions valued at Rs.3,075,993 could not be vouched in audit due to non-
rendition of necessary information for audit.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.601 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,801,289 for the preceding year.

2:2 Financial Control

The budget had not been prepared properly and as such variances amounting to Rs.1,704,630 and Rs.459,458 respectively were observed in audit between the budgeted and actual revenue and the budgeted and actual expenditure.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	5	--	--
Lease Rent	3,667	4,009	135
Licence Fees	724	142	--
Other Revenue	6,965	5,506	--

2:3:2 Recovery of Revenue

- (a.) The Sabha had not taken action to recover the lease rent of Rs.116,500 of the year under review and the previous years.
- (b.) Licences fees of Rs.17,400 had not been recovered from owners of 41 three wheelers of the area.

2:3:3 Court Fines

- (a.) A list of court fines due from the courts under various ordinances for the year under review had not been obtained.
- (b.) The court fines of Rs.4,025,650 for the year 2011 had not been recovered upto the date of this report although they had been shown as revenue receivable.

2:4 Assets Management

2:4:1 Balances of Stock

Twelve stock items had been based on book balances and not on physical balances.

2:4:2 Advances

(a.) The advance of Rs.132,292 obtained by the Secretary of the Sabha during the year under review had not been settled till the date of this report.

(b.) Advances should be settled immediately after fulfilment of the task as per Financial Regulation 371 of the Democratic Socialist Republic of Sri Lanka. However, out of the advance of Rs.70,000 given to an officer, a sum of Rs.41,674 had been retained by the officer for a considerable time without being settled.

2:4:3 Staff Loans

Action had not been taken to deduct the staff loan of Rs.76,870 due from an officer from his gratuity payments who had retired from service 4 years ago.

2:5 Non-compliance

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

Reference to Laws, Rules and Regulations

Non -compliance

(a.) 1988 Pradeshiya Sabha (Finance and Administration) Rules

(i.) Chapter II Section 5

Security deposits had not been obtained from officers dealing with cash, stores etc.

(ii.) Chapter II Section 14

Action had not been taken to duly pass a resolution to obtain additional funds for expenditure.

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| (iii.) Chapter III Section 29 | Total money collections had not been banked daily. |
| (iv.) Chapter III Sections 59,60 | A survey of trade tax had not been done. |
| (v.) Chapter III Section 65 | The revenue clerk had not prepared a list of defaulters of trade tax and furnished it to the Secretary. |
| (vi.) Chapter III Section 66 | The Secretary had not taken action to recover the arrears of Rs.5,010,631 in terms of Section 150(4) of the Pradeshiya Sabha Act, No. 15 of 1987. |
| (vii.) Chapter IV Section 97 | The codes relating to programmes and objects shown in the paid vouchers were not in accordance with the budget. |
| (b.) Finance Regulation 571 | Action had not been taken in terms of the financial regulation with regard to deposits of Rs.161,500 exceeding 2 years. |
| (c.) Value Added Tax Act No. 14 of 2002 | The value added tax of Rs.270,329 recovered by the Sabha had not been remitted to the Department of Inland Revenue. |
| (d.) Annexure 19 to the Procurement Guideline Section 9.3.1 | Approval of the Secretary to the Ministry had not been obtained for repairs to vehicles amounting to Rs.246,902. |

2:6 Contract Administration

2:6:1 Delays in Implementation of Work

Construction work of a container building amounting to Rs.198,655 had not been carried out during the year under review.

2:7 **Operating Inefficiencies**

- (a.) Repairs to vehicles of the Sabha amounting to Rs.422,892 had been carried out without estimates, quotations and work completion reports and it was observed that the Sabha had not followed a proper procedure regarding repairs to vehicles.

- (b.) Sundry debtors of Rs.198,655 relating to construction of a container building remained unsettled till end of the year under review.

3. **Systems and Controls**

Special attention is needed in respect of the following areas of systems and controls.

- (a.) Collection of Revenue
- (b.) Advances
- (c.) Accounting
- (d.) Budget
- (e.) Board of Survey Reports
- (f.) Sundry Debtors
- (g.) Vehicle Utilization
- (h.) Decisions of the Tender Board