

**Poonakary Pradeshiya Sabha.**

**Kilinochchi District**

**1.0 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 26 May 2011 and the financial statements of the previous year had been presented for audit on 21 October 2010.

**1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanation given to me, I am of opinion that the Poonakary Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles give true and fair view of the State of affairs of the Poonakary Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

**1.3 Comments on the Financial Statements**

**1.3.1 Accounting Policies**

Accounting Policies adopted for the preparation of Financial Statements had not been disclosed with the Financial Statements.

**1.3.2 Accounting Deficiencies**

The accounting deficiencies observed in the accounts in terms of revenue and assets are given under the number of instances and values in the following statements.

	<u>Revenue</u>		<u>Assets</u>	
	<u>Number of instances</u>	<u>Value</u> Rs	<u>Number of Instances</u>	<u>Value</u> Rs
Understatements in the Accounts	-	-	1	11,100
Omissions in the Accounts	1	55,000	-	-

**1.3.3 Accounts Payable**

Value of balances of accounts payable older than 01 year as at 31 December 2010 amounted to Rs.431,340.

**1.3.4 Lack of Evidence for Audit**

Land valuation report relating to the purchased of a land for Rs.840,000 had not been submitted to audit.

**1.3.5 Non-compliances**

Non-compliances with the provisions in the following Laws, Rules, Regulations and Management Decisions were observed during the course of audit.

**Reference to Laws, Rule, Regulation and Management Decisions**

**Non-compliance**

(a) Pradeshiya Saba Act, No.15 of 1987

Section 24

Roads and Lands within the area of authority of the Pradeshiya Sabha had not been recorded.

(b) Section 153 of No 10 of Inland Revenue Act 2006.

Withholding Tax amounting to Rs.5,581 had not been deducted and remitted to the Department of Inland Revenue.

(c) Financial Regulation of Republic of Sri Lanka

No.1645

Motor Vehicle Log Books had not been properly maintained by the Sabha.

(d) Circulars

(i) Public Finance Circular of No.441 dated 9 December 2010

Action had not been taken on unserviceable articles reported in the Board of Survey Report for the year 2010.

(ii) Public Administration Circular No.41/90 dated 10 October 1990.

Fuel consumption of the motor vehicles of the Sabha had not been tested once in every 06 months in terms of the regulation.

**2.0 Financial and Operating Review**

**2.1 Financial Results**

According to the Financial Statements presented, the excess of recurrent expenditure over revenue of Sabha for the year ended 31 December 2010 amounted to Rs.612,435 against the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.2,400,822.

## 2.2 Revenue Administration

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

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year as presented by the Secretary is given below. But the Sabha had not prepared the budget for the year 2009 as the Sabha had not properly function due to the war situation.

Item of Revenue	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Accumulate d arrears as at 31Decembr	Estimated	Actual	Accumulate d arrears as at 31Decembr
	Rs	Rs	Rs	Rs	Rs	Rs
	000	000	000	000	000	000
Rates and Taxes	-	65	-	-	-	-
Lease Rent	361	301	105	-	84	-
Licence Fees	325	153	5	-	-	-
Other Revenue	12,858	8,820	-	-	9,057	-

### 2.2.2 Courts Fines

Court fines receivables by the Sabha from the Magistrates' Court Kilinochchi had not been computed and brought to account.

### 2.2.3 Stamp Fees

Necessary action had not been taken by the Sabha to compute the stamp fees receivables and send the relevant particulars to the Registrar General.

## 2.3 Expenditure Structure

The budgeted and actual expenditure of the Sabha for the year under review and the preceding year together with the variances are given below. The Sabha had not prepared the Budget for the year 2009 due to Sabha had not been properly functioned due to war activities.

Item of Expenditure	<u>2010</u>			<u>2009</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
-----	-----	-----	-----	-----	-----	-----
	Rs	Rs	Rs	Rs	Rs	Rs
	000	000	000	000	000	000
<b><u>Recurrent</u></b>						
<b><u>Expenditure</u></b>						
Personal Emoluments	8,079	8,124	(45)		5,620	(5,620)
Other Expenses	5,164	1,828	3,336		1,037	(1,037)

Sub-total	13,243	9,952	3,291	6,657	(6,657)
Capital Expenditure	15,000	2,308	12,692	3,838	(3,838)
<b>Grand Total</b>	<b>28,243</b>	<b>12,260</b>	<b>15,983</b>	<b>10,495</b>	<b>(10,495)</b>

## **2.4 Human Resource management**

### **2.4.1 Approved and Actual Cadre**

Particulars of the approved and actual cadre of the Sabha as at 31 December 2010 are given below.

<b><u>Category of Posts</u></b>	<b><u>Approved</u></b>	<b><u>Actual</u></b>
Staff Grade	13	-
Secondary Grade	10	12
Primary Grade	18	18
Others (Casual/Temporary)	-	8
<b>Total</b>	<b>41</b>	<b>38</b>

### **2.4.2 Idle and Underutilized Human Resources.**

Even though one post of Technical Officer was included in the approved cadre, Three Technical Officers had been deployed by the Poonakary Pradeshiya Sabha.

## **2.5 Assets Management**

### **2.5.1 Account Receivable**

Balances of account receivables as at 31 December 2010 amounted to Rs.1, 059,857 and the balances of accounts older than 1 year amounted to Rs.54, 153.

### **2.5.2 Staff Loans Recoverable**

Staff Loan balances recoverable as at 31 December 2010 totalled Rs.1, 284,894 and the balances of accounts remaining outstanding for more than 01 year amounted to Rs 130,144.

### **2.5.3 Assets Not-Surveyed**

The value of assets not supported by the Board of Survey Report and computed at book value as at 31 December 2010 amounted to Rs.13,558,311.

## **2.6 Irregular Transaction.**

A sum of Rs. 979,000 had been spent by the Sabha for the purchase a land the Sabha without obtained the deeds for the above land. Further the Sabha had purchased a private land without obtaining the land from state.

## **2.7 Performance**

Sabha had not prepared an Annual Action Plan at the beginning of the year of accounts. Therefore, the progress of achievement of targets set in the plan could not be ascertained.

## **2.8 Internal Audit**

An adequate internal audit of the Sabha had not been carried out.

**3.0 System and Controls**

Special attention is drawn to the following areas of system and controls.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contract Administration.