

Pachchilaipalli Pradeshiya Sabha

Kilinochchi District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 December 2014.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Pachchilaipalli Pradeshiya Sabha as at 31 December 2013, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

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

Effect on Financial Statements	Revenue		Expenditure	
	No. of Instances	Value	No. of Instances	Value
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		Rs.		Rs.
Overstatement	01	231,870	01	231,870

1.3.2 Lack of Evidence for Audit

One transaction valued at Rs.39,200 could not be vouched in audit due to non-remission of necessary evidence for audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year under review was Rs.1,910,691 as compared with the excess of revenue over the recurrent expenditure amounting to Rs.338,519 for the preceding year.

2.2 Financial Control

It was observed in audit that there was a difference of Rs.2,304,512 between the budgeted and actual revenue and a difference of Rs.1,507,139 between the budgeted and actual expenditure due to lack of proper preparation of budget.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	-	03	-
Lease Rent	4,612	4,489	-
Licence Fees	200	283	-
Other Revenue	17,950	20,291	1,714
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	22,762	25,066	1,714
	=====	=====	=====

2.3.2 Loss of Revenue

The Sabha had lost its revenue due to non assessment of properties within the limits of the Sabha.

2.3.3 Stamp Fees

Action had not been taken to recover stamp fees of Rs.989,350 for the period 2010 to December 2013.

2.4 Non compliance

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

References to Laws, Rules, Regulations	Non-compliance
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(a.) Circular No 41/90 of 10 October 1990 of the Ministry of Public Administration	Consumption of fuel by 7 vehicles of the Sabha had not been tested.
(b.) Audit and Management Circular No.DMA/2009(1) of 9 June 2009 of the Ministry of Finance and Planning	Although 4 meetings should have been conducted during the year under review, no meetings had been held.
(c.) Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka – 5.4.12	Details of Value Added Tax paid by the Sabha had not been forwarded to the Department of Inland Revenue with a copy to the Auditor General before 15 th of the following month.

2.5 Non Recovery of Revenue

2.5.1 Fees for Telecommunication Tower

Action had not been taken to recover the following fees due on the telecommunication tower within the area of the Sabha in terms of Gazette Extra Ordinary No.1597/8 of 17.04.2009.

- (i) Development licence
- (ii) Initial planning
- (iii) Compliance certificate
- (iv) Covering approval

2.5.2 Accounts Receivable

Revenue debtors amounting to Rs.114,097 remained recoverable upto the date of this report.

2.6 Assets Management

2.6.1 Unused Current Account Balance

It was observed in audit that a sum of Rs.17,853 belonging to the Sabha was lying in the Bank of Ceylon Current Account without being used for over 5 years.

2.6.2 Human Resources

Development plans of the Sabha had been affected due to 15 vacancies existing in the staff and action had not been taken by the Sabha in this regard.

2.6.3 Transfer of Ownership

It was observed in audit that the Sabha had 16 vehicles without the ownership being transferred to it.

2.7 Contract Administration

2.7.1 Delay in Execution of Projects

Eight projects valued at Rs.784,750 to be executed by the Sabha had not been completed upto the date off this report.

2.8 Internal Audit

An internal audit unit was not in existence at the Pradeshiya Sabha.

2.9 Solid Waste Management

A compost fertilizer system had not been implemented. Instead, the garbage collected had either been set on fire or buried in the soil.

3. Systems and Controls

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

- (i) Revenue collection
- (ii) Fixed assets
- (iii) Accounting
- (iv) Personnel
- (v) Sundry deposits
- (vi) Budget
- (vii) Stores
- (viii) Procurement procedure