

Pachchillaipalli Pradeshiya Sabha

Kilinochchi District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been submitted to audit on 31 March 2016 and the financial statements for the preceding year had been submitted to audit on 22 April 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 23 September 2016.

1.2 Qualified Opinion

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 Pachchillaipalli Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies to be adopted in preparing and submitting the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

1.3.2 Comply with Sri Lanka Public Sector Accounting Standards

It was observed that it had not been ensured through the financial statements of the Sabha that the financial statements for the year under review had been prepared and submitted in accordance with Sri Lanka Public Sector Accounting Standards and cash flow statement for the year under review had not been prepared.

1.3.3 Accounting Deficiencies

The following accounting deficiencies are observed.

- (i) It was observed that the provision of Rs. 563,500 had been made to the sundry creditors account for the expenditure of the four work plans in the preceding years. However, such

works had not been executed up to date and as such, the accumulated fund had been decreased for the year under review.

- (ii) Loss of Rs. 513,407 occurred due to the accident of official vehicle of the Sabha in the year under review had not been brought to accounts.

1.3.4 Lack of Evidences

One Payment of the Sabha amounting to Rs. 898,320 for the year under review could not be satisfactorily vouched or accepted in audit due to the non-availability of the evidence of bill of quantities.

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

The following instances were observed.

Reference to Laws, Rules, Financial Regulations and Management Decisions.	Non-compliances
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<p>(a) Pradeshiya Sabhas Act No. 15 of the year 1987</p> <hr/> <p>Section 24 of Part III</p>	<p>Action had not been taken to publish the schedules of roads and lanes belonging to the Sabha within 3 years from the establishment of the Pradeshiya Sabha in the Government Gazette.</p>
<p>(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988</p> <hr/>	
<p>(i) Rule 32 of the Chapter III</p>	<p>The register in respect of assessment tax on property had not been maintained by the Sabha and rates and taxes had also not been recovered.</p>
<p>(ii) Rule 178 (3) of Chapter IX</p>	<p>Register including names of community based organizations, community centers which carry out contract works effectively had not been maintained.</p>

(iii) Rule 178 (5) of Chapter IX

Bid documents had not been sent by the registered post or officer who authorized by the Chairman when delivering them.

(iv) Rule 180 of Chapter IX

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

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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Meaningful actions had not been taken by the Sabha relating to 12 numbers of lapsed deposits totalling Rs. 39,296 over the last two years.

2. Financial Review

2.1 Financial Result

According to the financial statements presented for the year under review, operations of the Sabha for the year ended 31 December 2015 had resulted in an excess of income over recurrent expenditure of Rs. 11,550,525 as compared with the corresponding excess of income over recurrent expenditure of Rs. 6,156,069 for the preceding year, thus indicating an improvement in excess of income over recurrent expenditure by Rs.5,394,456 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs. 4,556,431 as compared with the corresponding net surplus of Rs. 4,280,095 for the preceding year, thus indicating an increase of closing financial results by Rs. 276,336 for the year under review.

2.3 Working Capital Management

According to the financial statements submitted, working capital of the Sabha for the year under review had resulted in Rs. 21,413,838 as compared with the corresponding working capital of Rs.

16,857,407 for the preceding year, thus indicating an improvement of working capital by Rs. 4,556,431 for the year under review.

2.4 Revenue Management

2.4.1 Estimated Revenue, Actual Revenue and Revenue Arrears

Detail regarding the estimated revenue, actual revenue and revenue arrears for the year under review are as follows.

Item of Revenue	Estimated (Rs.)	Actual (Rs.)	Accumulated Arrears as at 31 December (Rs.)
	-	-	-
Rates and Taxes	4,116,800	3,643,767	183,756
Licenses	304,500	459,213	500
Service Charge	371,000	513,229	-
Warrant Costs, Fines and Penalties	1,200,000	4,923,266	-
Other Income	7,787,475	6,482,002	6,674,710
Revenue Grants	25,104,657	24,672,422	-
Total	38,884,432	40,693,899	6,858,966

2.4.2 Charges for Telecommunication Towers

Actions had not been taken by the Sabha to recover the charges in respect of 04 telecommunication towers constructed under the purview area of the Sabha in the year under review in terms of the Extra Ordinary Gazette notification no. 1597/8 dated 17 April 2009.

2.4.3 Stamp Fees

Actions had not been taken by the Sabha to recover stamp duty fees aggregating Rs. 5,325,155 due from the Registrar General of Lands during period ranging from 01 to 05 years.

3 Operating Review

3.1 Management Inefficiencies

The following matters were observed

- (i) It was observed that the ownership of the 07 numbers of vehicles donated by the Commissioner of Local Government, Northern Province to the Sabha had not been transferred to the Sabha. Actions had not been taken in this regard for the period ranging from 01 to 05 years.
- (ii) Approved Cadre of the Sabha was 63 and actual cadre was 54. Therefore, the vacancies of 10 staffs had not been filled, thus the works to be done by such staffs had been affected and one excess staff had been recruited.

3.2 Asset Management

The following matters were observed

- (i) Bitumen valued at Rs. 11,722 procured for the rehabilitation of road of the Sabha had remained idle for over 03 years.
- (ii) A sum of Rs.17, 853 had been kept in the current account of the Sabha in the Bank of Ceylon over the last 06 years without being utilized.

3.3 Delays in Project

Two projects totalling Rs. 3,383,500 to be carried out in the year under review had not been executed, thus provision thereon had been made under the sundry creditors account and action had not been taken to execute such works by the Sabha even as at the end of the year under review.

3.4 Solid Waste Management

The activities of burning and burying had only made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, the compost and recycling activities had not been made by the Sabha.

4 Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed

- (i) Variances ranging from Rs.21,126 to Rs.235,365 had been observed between the estimated expenditure and actual expenditure for the year under review.
- (ii) Budget for the year under review had not been prepared in order to use effectively and estimate had not been planned and programmed properly. As such, variances ranging from Rs.142,229 to Rs.3,723,266 had been observed between the budgeted income and actual income.

4.2 Audit and Management Committee Meeting

According to the audit and management circular no. DMA/2009 (1) dated 09 June 2009 of the Secretary to the Ministry of Finance and Planning, it had been mentioned that at least 04 Audit and Management Committee meetings should be conducted in order to carry out the activities of the Sabha efficiently in the year under review. However, any such meeting had not been conducted.

4.3 Unresolved Audit Query

The Chairman had used vehicle belonging to the Sabha for private purpose and 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 from 09 January 2012 to 25 June 2012. In this regard, actions had not been taken by the Sabha over the last 03 years.

5 Systems and Controls

Special attention is needed on the following matters.

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