

Poonakary 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 27 April 2016 and the financial statements for the preceding year had been submitted to audit on 07 July 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 08 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 Poonakary 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

Lease form charges totalling Rs.7,000 received by the Sabha during the year under review had been kept in the miscellaneous deposit account without being brought to the revenue account, thus actual income for the year under review had been understated.

1.3.4 Payables

Stamp duties and membership fee of employee's provident fund totalling Rs.148,109 recovered in the year under review had been kept in the miscellaneous deposit account as at 31 December 2015 without being remitted to the Department of Inland Revenue and Employees Provident Fund respectively.

1.3.5 Lack of Evidences

Three payments of the Sabha aggregating Rs.45,280 made for the year under review could not be satisfactorily vouched or accepted in audit due to the non-availability of the evidences such as receivers signature, work completion certificate, etc.

1.3.6 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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(a) Pradeshiya Sabhas Act No. 15 of the year 1987	
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Section 24 of Part III	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.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988	
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(i) Rule 66 of the Chapter III	Actions had not been taken by the Secretary of the Sabha to recover revenue arrears totalling Rs. 282,746.
(ii) Rule 140 of Chapter V	Actions had not been taken by the Sabha relating to the advances which had not been settled within the stipulated period.

(iii) Rule 178 (3) of Chapter IX

Register including names of community based organizations, community centers which carry out contract works effectively had not been maintained.

(iv) 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.

(v) 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

(i) F.R. 396 (d)

Action had not been taken relating to the value of cheques totalling Rs. 200,820 which had not been presented for payment over 06 months.

(ii) F.R. 571

Meaningful actions had not been taken by the Sabha relating to 38 numbers of lapsed deposits totalling Rs. 3,122,278 over the last two years.

2 Financial Review

2.1 Financial Results

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. 6,665,869 as compared with the corresponding excess of income over recurrent expenditure of Rs. 4,749,426 for the preceding year, thus indicating an improvement in excess of income over recurrent expenditure by Rs. 1,916,443 for the year under review.

2.2 Analytical Financial Review

Financial results of the Sabha for the year under review had resulted in net surplus of Rs. 3,951,368 as compared with the corresponding net surplus of Rs. 1,047,786 for the preceding year, thus indicating an increase of closing financial results by Rs. 2,903,582 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, working capital of the Sabha for the year under review had resulted in Rs.17,109,267 as compared with the corresponding working capital of Rs.12,368,903 for the preceding year, thus indicating an increase of working capital by Rs.4,740,364 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	Actual	Cumulative Arrears as at 31 December
	(Rs.)	(Rs.)	(Rs.)
Rates and Taxes	-	246,600	-
Rents and Lease	3,576,650	2,140,929	542,639
Licenses	753,400	478,263	-
Service Charge	1,483,500	249,656	-
Warrant Costs, Fines and Penalties	3,314,500	6,130,715	-
Other Income	1,388,330	1,517,097	4,232,089
Revenue Grants	22,721,324	15,372,661	-
Total	33,237,704	26,135,921	4,774,728

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. 3,000,719 due from the Registrar General of Lands during period ranging from 01 to 06 years.

3 Operating Review

3.1 Management Inefficiencies

The following matters were observed

- (i) Ownership of the 21 numbers of vehicles donated by the Commissioner of Local Government, Northern Province to the Sabha had not been transferred to the Sabha during the period ranging from 01 to 05 years.
- (ii) Approved cadre of the Sabha was 65 and actual cadre was 30, Therefore, the vacancies of 35 staffs had not been filled, thus the works to be done by such staffs had been affected.

3.2 Asset Management

Seven tractors of the Sabha had remained idle for over the last 02 years.

3.3 Delays in Project

It was observed in audit that 13 projects totalling Rs.2,247,954 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 it had been shown as expenses in the accounts.

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. 11,886 to Rs. 7,870,069 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. 128,767 to Rs. 7,348,663 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.

5 System 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