

**Thunukkai Pradeshiya Sabha
Mullaitivu District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented on 22 September 2015. The report of the Auditor General for the year 2015 was issued to the Secretary of the Sabha on 05 May 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters referred in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Thunukkai Pradeshiya Sabha as at 31 December 2015 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 Policies

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

1.3.2 Accounting Deficiencies

The value of 05 Nos. of vehicles donated to the sabha had not been assessed and brought to the financial statements over last 03 years.

1.3.3 Receivables and Payables

Effective action had not been taken to recover the outstanding loan balance of Rs. 35,607 due from a retired officer over last 05 years.

1.3.4 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following instances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Pradeshiya Sabhas (Financial and Administrative) Rules of 1988	

(i) Rule 66 of Chapter II	Action had not been taken to recover the arrears of revenue aggregating Rs. 1,856,398.

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| (ii) | Rule 33 of Chapter III | Assessment for rates had not been made during the year under review. |
| (iii) | Rule 59 and 60 of Chapter III | Assessment for trade taxes had not been made during the year under review. |
| (iv) | Rule 108 of Chapter IV | Action had not been taken to maintain the Children Park constructed at Thunukkai. |
| (v) | Rule 180 of Chapter IX | Security deposits had not been obtained from the officers who are entrusted with duties relevant to custody of cash and stores. |
| (b) | Circular No.41/90 of 10 October 1990 of the Ministry of Public Administration and Home Affairs | Fuel Consumption tests had not been made in respect of 09 vehicles belong to the Sabha. |
| (c) | Procurement Guidelines of 2006 Section 5.4.12 | After payment of value Added Tax by the sabha, details of such payment had not been informed to the Commissioner General of Inland Revenue with a copy to Auditor General, on or before the 15 day of the ensuing month. |
| (d) | Financial Regulation of the Democratic Socialist Republic of Sri Lanka No. 571 | Action had not been taken in respect of deposits which had elapsed more than two years aggregating Rs. 921,780 . |

2. Financial Analysis

2.1 Financial Results

According to the financial statements presented, the excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.11,428,845 as compared with the excess of income over recurrent expenditure amounting to Rs. 7,481,955 for the previous year, thus indicating an increase of income over recurrent expenditure amounting to Rs.3,946,890 for the year under review. The main reason for the improvement was increase in recurrent grant for the Sabha.

2.2 Analytical Financial Review

According to the financial statements presented ,Financial results of the Sabha for the year under review had resulted a net surplus of Rs. 11,106,817 as compared with the corresponding net surplus of Rs. 4,307,112 for the preceding year, thus indicating an increase of financial results amounting to Rs. 6,799,705 for the year under review.

2.3 Financial Review

2.3.1 Working Capital Management

According to the financial statements presented, working capital of the Sabha for the year under review had been Rs. 34,615,160 as compared with the corresponding working capital of Rs. 23,778,019 for the preceding year, thus indicating an increase of working capital amounting to Rs.10,837,141 for the year under review.

2.4 Revenue Management

2.4.1 Rates and Taxes

Register of Assessment for rates and taxes had not been maintained in terms of Rule 32 of Chapter III of Pradeshiya Sabha (Financial and Administration) Rules of 1988.

2.4.2 Charges for Telecommunication Towers

Following observations were made.

- (a) Four type of charges such as issuing development licences, initial plan approval, issuing conformity certificates and granting covering approval had to be recovered in respect of 02 telecommunication towers constructed in the area of authority of the Sabha, had not been assessed, recovered and brought to the accounts in terms of extra ordinary gazette notification No.1597/8 of 17 April 2009.
- (b) Action had not been taken to recover the advertisement charges for the advertisement boards fixed in the area of authority of the Sabha.

3. Operating Review

3.1 Management Inefficiencies

Following observations were made.

- (a) Course of action had not been taken to obtain the ownership of 10 Vehicles donated by Commissioner General of Local Government.
- (b) Action had not been taken to fill the 14 vacancies in the cadre of the Sabha.
- (c) Even though a donation of Rs. 916,045 had been received from UNICEF for the purpose of Water purification in the year 2013, it had been kept in miscellaneous deposit account without being utilized for intended purpose.

3.2 Asset Management

The report on annual board of survey and the action to be taken regarding the report had not been furnished for audit up to now in terms of financial regulation 756 and 757 respectively

3.3 Abandoned Projects

Nineteen capital works estimated at a total cost of Rs.2,672,500 had been abandoned during the year under review. The reasons for that had not been made available to audit.

3.4 Contract Administration

Contracts had been directly awarded to the Community Centers contrary to the Circular No. 01/2012 dated 05 January 2012 of the Ministry of Finance and Planning. Even though progress reports of the works were called for audit, those reports had not been submitted .

3.5 Delays in Project

While 19 Projects totaling Rs. 8,245,883 had been commenced during the year under review value of that works had been shown as expenditure and credited to the Sundry Creditors Account. However, action had not been taken to complete these works even by the end of the year under review.

3.6 Solid Waste Management

The Sabha had followed only the methods of burning and burying garbages removed within the area of authority of the Sabha, While action had not been taken to implement compost and recycling projects.

4. Accountability and Good Governance

4.1 Budgetary Control

Budget estimates had not been prepared to make it as effective mechanism. Accordingly,these had been variances between budgeted income and actual income ranging from Rs. 80,250 to Rs. 4,074,016 and variance between budgeted expenditure and actual expenditure ranging from Rs. 59,617 to Rs. 6,132,920 were observed.

4.2 Procurement Plan

Procurement plan and Procurement Time Schedule had not been prepared by the Sabha for the year under review in terms of clause 4.2 of the Procurement Guidelines of 2006.

4.3 Internal Audit

Action had not been taken either to establish an internal audit unit or to carry out the internal audit examinations on the activities of the Sabha effectively during the year under review.

4.4 Audit and Management Committee Meeting

Even though at least 04 Audit and Management Committee meetings had to be conducted in terms of Department of Management Audit Circular No. DMA/2009(1) of 09 June 2009 of the Secretary to the Ministry of Finance and Planning any such meetings had not been conducted during the year under review .

5. Systems and Controls

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

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Accounting
- (iv) Cadre
- (v) Utilization of Vehicles
- (vi) Miscellaneous Deposits
- (vii) Budgetary Control
- (viii) Stock control
- (ix) Procurement Procedure