

Thunukkai Pradeshiya Sabha
Mullaitivu District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 01 April 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 31 August 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 2016 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 had to be adopted in preparing and presenting, had not been disclosed in the financial statements of the Sabha for the year under review.

1.3.2 Accounting Deficiencies

Following observations were made.

- (a) The Value of 08 Nos. of vehicles donated, had not been assessed and brought to the financial statements over last 04 years.
- (b) The Value of 04 Nos. of Properties belongs to the Sabha aggregating Rs. 1,917,672 shown in the financial statements for the year under review, could not be satisfactorily ascertained in audit due to non-availability of title deeds and value assessment reports during over last 05 years.
- (c) The Value of capital works totalling Rs.4,502,008 had not been capitalized during the year under review, thus indicating the value of properties had been understated for the year under review.
- (d) Even though an accumulated depreciation of Rs. 2,888,584 had been observed in the preceding year, depreciation on fixed assets had not been calculated and brought to the financial statements for the year under review, thus excess revenue over recurrent expenditure for the year under review had been overstated.

1.3.4 Receivables

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

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

The following instances were observed.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliances

(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988

(i) Rule 66 of Chapter II

Action had not been taken to recover the arrears of revenue aggregating Rs. 3,196,798.

(ii) Rule 33 of Chapter III

Assessment on rates had not been made during the year under review.

(iii) Rule 59 and 60 of Chapter III

Assessment on 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 140 of Chapter V

Action had not been made on unsettled advances aggregating Rs. 597,570.

(vi) Rule 180 of Chapter IX

Security deposits had not been obtained from the officers who were performed duties with the custody of cash and stores.

(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

(i) No. 571

Action had not been taken in respect of 23 Nos. of lapsed deposits aggregating Rs. 499,074 over last two years.

(c) Procurement Guidelines of the year 2006

(i) Section 5.4.12

After making the payment to cover Value Added Tax, 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 15th day of the following month.

2. Financial Review

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 2016 amounted to Rs.12,465,289 as compared with the excess of income over recurrent expenditure amounting to Rs. 11,428,845, thus indicating an increase of income over recurrent expenditure of Rs.1,036,444 for the year under review as compared with the preceding year. The main reason for the improvement was deterioration in maintenance and repair expenditures for the capital assets for the Sabha.

2.2 Analytical Financial Review

Financial results of the Sabha for the year under review had resulted a net surplus of Rs. 9,367,364 as compared with the corresponding net surplus of Rs. 11,106,817 for the preceding year, thus indicating a deterioration of financial results of Rs. 1,739,453 for the year under review.

2.3. Working Capital Management

Working Capital of the Sabha for the year under review had resulted Rs. 44,038,308 as compared with the corresponding Working Capital of Rs. 34,615,160 for the preceding year, thus indicating an increase of working capital of Rs.9,423,148 for the year under review.

2.4 Revenue Management

2.4.1 Revenue Collection Performances

Information on the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Sabha is shown below.

Item of Revenue	Estimated Amount	Actual Amount	Cumulative Arrears as at 31 December 2016
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	-	-	-
Rent and Lease Rent	11,568	7,097	207
Licence Fees	210	531	-
Other Revenue	9,149	7,203	2,990
Total	<u>20,927</u>	<u>14,831</u>	<u>3,197</u>

2.4.2 Charges for Telecommunication Towers

Four type of charges such as issuing development licences, initial plan approval, issuing conformity certificates and covering approval aggregating Rs. 152,000 had to be recovered in respect of a telecommunication tower constructed in the territory area belongs to the Sabha, had not been recovered and brought to the accounts in terms of extra ordinary gazette notification No.1597/8 of 17 April 2009.

3. Operating Review

3.1 Management Inefficiencies

Following observations were made.

- (a) Meaningful action had not been taken to obtain the ownership of 09 Nos. of Vehicles donated by Commissioner General of Local Government.
- (b) Action had not been taken to fill 13 Nos. of vacancies in the cadre of the sabha, thus indicating the development activities had been affected.

3.2 Asset Management

Following observations were made.

- (a) Report on Annual Stores Verification and Report on Action on Annual stores verification had to be submitted in terms of financial regulation No. 756 and No.757 respectively, had not made available for audit for the year under review.
- (b) Action had not been taken on shortage of 266 Nos. of Library books belongs to the sabha over last 01 year.
- (c) 132 Nos. of inventory items donated by World Food Programme had been allowed to be idle at the store over last 07 years and the value of those items could not be satisfactorily ascertained in audit.
- (d) A sum of Rs. 31.28 million had been allowed to be idled in a fixed deposits of a bank without being utilized for the intended purposes over 05 years.

3.3 Abandoned Projects

06 Nos. of Capital works estimated at total cost of Rs.10,200,000 had been abandoned during the year under review and the reasons had not made available to audit.

3.4 Solid Waste Management

The Sabha had used only the methods of burning and burying system to dispose of the garbages with in the area belongs to the Sabha .Nevertheless, meaningful actions had not been taken to compost and recycling programmes for the effective implementation.

4. Accountability and Good Governance

4.1 Budgetary Control

Budget estimates had not been prepared to make it as effective mechanism. Thus a variance between budgeted expenditure and actual expenditure ranging from Rs. 55,037 to Rs.5,248,870 were observed.

4.2 Procurement Plan

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

4.3 Internal Audit

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

4.4 Audit and Management Committee Meeting

Even though at least 04 Nos. of 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, only one meeting had 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) Stores
- (ix) Procurement Procedure