

**Pachchilaipalli Pradeshiya Sabha  
Kilinochchi District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Report of the Auditor General on those financial statements have been forwarded to the Chairman on 24 August 2018.

**1.2 Qualified Opinion**

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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 Pachchilaipalli Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Policies**

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Accounting policies to be adopted in preparing the financial statements had not been disclosed in the financial statements.

**1.3.2 Accounting Deficiencies**

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Fourteen capital works valued at Rs. 9,620,059 which provisions made in sundry creditors account had been brought to financial statements as fixed assets in the year under review without commencing such works. As such, the fixed assets of the Sabha had been overstated in the financial statements.

**1.3.3 Accounts Receivable and Payable**

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Three transactions totalling Rs. 171,400 which provisions made in sundry creditors account had not been settled for the last 1 year to 6 years.

**1.3.4 Lack of Evidences for Audit**

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Revenue in respect of hire charges of motor grader and roller totalling Rs. 468,700 could not be satisfactorily vouched or accepted in audit due to non-submission of receipts and registers to audit.

### 1.3.5 Non-compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value</b>	<b>Non-compliances</b>
	<b>Rs.</b>	
(a) <b>Pradeshiya Sabhas Act No. 15 of the year 1987</b> Section 24 of Part III		No actions had 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) <b>Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988</b>		
(i) Rule 66 of the Chapter III	5,412,332	No actions had been taken to recover 07 revenue shown in the revenue debtors account within specified period.
(ii) Rule 140 of Chapter V	4,539,848	Eleven advances had not been settled for the last 01 year to 02 years.
(iii) Rule 180 of Chapter IX		Security money had not been obtained by the Sabha from the 07 officers who are responsible for cash and store goods.
(c) <b>Establishment Code of the Democratic Socialist Republic of Sri Lanka</b> Section 4 of Chapter XXIV	154,000	No meaningful actions had been taken to recover arrears of distress loan paid to 02 officers who were vacated their posts for the last 01 year to 03 years.
(d) <b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> Financial Regulation 571	4,366,633	No meaningful actions had been taken by the Sabha relating to 47 lapsed deposits for the last 01 year to 02 years.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 16,471,037 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 9,312,671.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	-	-	-	-	-	-	-	-
(ii) Rentals	4,101,356	-	4,193,279	184,970	6,256,696	-	4,128,681	170,956
(iii) License Fees	338,750	-	407,636	3,200	300,500	-	368,910	500
(iv) Other Income	8,982,100	-	18,036,372	5,224,161	5,566,500	-	11,943,913	4,679,428

## 3. Operating Review

### 3.1 Management Inefficiencies

The following matters were observed.

- Fifteen vehicles not belonging to the Sabha had been used by the Sabha for the last 01 year to 09 years.
- Five works valued at Rs. 1,060,000 budgeted in the year under review had been abandoned.

### 3.2 Human Resources Management

#### (i) Vacancies and Excesses in Cadre

Approved and actual cadre of the Sabha as at 31 December 2017 were 64 and 53 respectively. As a result, 11 vacancies in the cadre had not been filled and as such works to be performed by such staffs had been affected.

**(ii) Staff Loans**  
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No meaningful actions had been taken to recover arrears of distress loan totalling Rs. 154,000 paid to 02 officers who were vacated their posts for the last 01 year to 03 years.

**3.3 Operating Inefficiencies**  
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No meaning actions had been taken by the Sabha up to the end of the year under review to implement 12 capital work schemes valued at Rs. 10,053,439 which provision made in the financial statements of the previous year.

**3.4 Assets Management**  
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The following matters were observed.

- (a) A sum of Rs. 17,853 kept in the current account of the Bank of Ceylon had been non-operated for the last 8 years.
- (b) bitumen barrels valued at Rs. 11,722 purchased for reconstruction works of the roads of the Sabha had been kept in the store for 04 years without being utilized.

**4. Accountability and Good Governance**  
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**4.1 Budgetary Control**  
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Variances ranging from Rs. 68,886 to Rs. 8,252,096 or from 16.9 per cent to 59.7 per cent between the budgeted revenue and actual revenue and from Rs. 10,050 to Rs. 5,775,921 or 12.3 per cent to 23.8 per cent between the budgeted expenditure and actual expenditure were observed.

**5. Systems and Controls**  
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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

**Systems**  
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- (a) Accounting
- (b) Recovery of arrears of revenue
- (c) Human Resources Management

**Deficiencies**  
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- Failure to maintain assessment register in respect of assessment tax on property
- Failure to prepare age analysis of arrears of revenue.
- Failure to recruit for the vacancies in the cadre properly.