

Pachchilaipalli Pradeshiya Sabha
Kilinochchi District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year under review had been presented to audit on 15 March 2012 and the financial statements for the preceding year had been presented on 04 May 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 14 May 2012.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Pachchilaipalli Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Pachchilaipalli Pradeshiya Sabha as at 31 December 2011 and the financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies adopted for the preparation of financial statements had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

The accounting deficiencies observed in the accounts are shown in the following table in respect of expenditure, revenue and assets.

<u>Effect on Financial Statements</u>	<u>Expenditure</u>		<u>Revenue</u>		<u>Assets</u>	
	<u>Number of instances</u>	<u>Value Rs</u>	<u>Number of instances</u>	<u>Value Rs</u>	<u>Number of instances</u>	<u>Value Rs</u>
Overstatements	01	16,000	-	-	-	-
Understatements	-	-	01	144,161	02	592,688

1.3.3 Lack of Evidence for Audit

Non-submission of Information for Audit

Transactions valued at R 9,956,790 could not be satisfactorily vouched in audit due to non-availability of required information for audit.

1.3.4 Accounts Payable

Value of balances of accounts payable over a period of 01 year as at 31 December 2011 amounted to Rs 46, 800

1.3.5 Non-compliances

Non-compliance with the provisions in the following Laws, Rules, Regulations and Management Decisions were observed during the course of audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a) Section 19(i) of Chapter ii of the Pradeshiya Sabha Act No.15 of 1987	Register pertaining to the movable and non-movable assets had not been maintained by the Sabha.
(b) Financial and Administration Rules of the Pradeshiya Sabha of 1988	
(i) Section 5 sub section XII of Chapter ii	Security deposits had not been obtained from the officers dealing with cash and stores.
(ii) Section 140 of Chapter V	Action had not been taken to settle the advances amounting to Rs.78,855 by the Chairman.
(c) <u>Circulars</u>	
Public Administration Circular No.41/90 dated 10 October 1990	Fuel consumption of vehicles had not been tested in terms of the Circular.

2. Financial and Operating Review.

2.1 Financial Results

According to financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2011 amounted to Rs 1, 097,202 as compared with the excess of revenue over recurrent expenditure amounting to Rs 1, 690,373 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman are given below.

Item of Revenue	Estimated	2011	
		Actual	Cumulative arrears as at 31 December
.....
	Rs	Rs	Rs
	000	000	000
Rates and Taxes	18	10	-
Lease Rent	2,392	2,851	-
Licence Fees	86	99	-
Other Revenue	14,665	12,576	1,340
Total	17,161	15,536	1,340

2.2.2 Stamp Fees

Necessary action had not been taken by the Sabha to compute the stamp fees receivable and inform the relevant particulars to the Registrar General.

2.2.3 Fees on Publicity Hoardings and Telecommunication Towers

- a) A field inspection carried out revealed that action had not been taken to recover fees amounting to Rs 90,000 in respect of publicity hoardings displayed in the area of authority of the Pradeshiya Sabha.
- b) Action had not been taken to recover fees in respect of one Mobitel and one Dialog tower located in the area of authority of the Sabha.

2.3 Assets Management

2.3.1 Idle and Underutilized Assets

- a) New market building constructed at Puthukadu junction at a cost of Rs. 882,570 had been idling since June 2011.
- b) Two gates valued at Rs. 54,000 had been idling in the Sabha for a period of one year.

2.3.2 Accounts Receivable

Balances of accounts receivable as at 31 December 2011 amounted to Rs 1,340,029.

2.3.3 Staff Loans Recoverable

Staff loan balances recoverable as at 31 December 2011 aggregated Rs 2,537,246 while balances remained outstanding for over a period of 01 year amounted to Rs 1,211,245

2.4 Performance

Sabha had not prepared an Annual Action Plan at the beginning of the year of accounts. Therefore, the expected objectives to achieve and the progress thereon could not be ascertained.

2.5 Weaknesses in Management

- (a) Action had not yet been taken to transfer the ownership of 06 vehicles
- (b) A sum of Rs 101,688 had been spent for construction of a building for the Sub Office, Mullipattu without Budgetary Provision.

2.6 Contract Administration

A sum of Rs 88,435 had been spent for fencing work of sub office, Iyakkachchi without following the procurement procedure.

2.7 Internal Audit

An adequate internal audit had not been carried out by the Pradeshiya Sabha.

3. Systems and Controls

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

- (a) Accounting.
- (b) Budgetary Control.
- (c) Collection of Revenue.
- (d) Contract Administration.