

Pachchilaippalli Pradeshiya Sabha

Kilinochchi District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 15 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 03 October 2013.

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 Pachchilaippalli Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, 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 Pachchilaippalli Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

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

	Assets		Liabilities	
	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.
Understatements	08	312,450	01	255,272
Overstatement	-	-	01	13,440

1.3.2 Lack of Evidence for Audit

Non-rendition of Information for Audit

Thirteen transactions amounting of Rs.13,115,877 could not be satisfactorily vouched in audit due to non-rendition of necessary information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.338,519 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.24,051.

2.2 Financial Control

The budget had not been correctly prepared. As such, there were variations between the budgeted and actual revenue and expenditure amounting to Rs.1,821,940 and Rs.1,713,306 respectively.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and arrears of revenue for the year under review, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	15	-	-
(ii.) Lease Rent	3,400	3,703	-
(iii.) Licence Fees	98	218	-
(iv.) Other Revenue	16,082	14,036	956

2.3.2 Loss of Revenue

Assessment tax had not been computed and recovered from properties within the area of the Sabha causing a loss of revenue to the Sabha.

2.3.3 Stamp Fees

- (a) The stamp fees due from the Registrar General for the period January to December 2012 amounted to Rs.309,550. Action had not been taken to recover this.
- (b) The stamp fees for the period 2010-2011 was Rs.425,400. Action had not been taken to recover this from the Registrar General.

2.4 Assets Management

2.4.1 Accounts Receivable

The advance of Rs.255,272 paid from the funds of the Sabha for reimbursement of Puranegama Capital Grant had not been recovered.

2.4.2 Vehicle Utilization

- (a) Licences and insurance certificates had not been obtained for 08 ploughing machines of the Sabha.
- (b) Five ploughing machines had not been made use of.

2.5 Non-compliance

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

References to Laws, Rules and Regulations	Non-compliance
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(i.) 1989 Pradeshiya Sabha (Financial and Administration Rules)	

Chapter II Section 05 Sub Section XII	Security deposits had not been obtained from officers dealing with cash, stores ect.
Chapter III Section 81	Action had not been taken with regard to stamp fees and court fines due at the end of each quarter.
(ii.) Public Administration Circular No.41/90 of 10 October 1990	Consumption of fuel by vehicles of the Sabha had not been tested.

2.6 Non-collection of Revenue

2.6.1 Fees for Telecommunication Tower

Fees for the Dialog Telecommunication Towers installed within the limits of the Sabha had not been recovered in terms of Gazette Extraordinary No.1597/8 dated 17.04.2009.

2.6.2 Non-recovery of Advertising Charges

It was observed in audit that the Sabha had not taken action recover-charges relating to Vasantham F.M. hoardings Advertising Boards.

2.7 Assets Management

2.7.1 Idle Physical Resources

It was observed in audit that a sum of Rs.17,853 remained idle in a Bank Account for over 04 years.

2.7.2 Loss of Rs.109,573 caused to the Sabha due to misuse of Vehicles of the Sabha

A pick up vehicle of the Sabha had been used by the Chairman to travel to Vavuniya on a personal trip and the vehicle had been used from 09 January to 25 May 2012. During the period the vehicles had performed 7279 km and the consumption of diesel was 921 litres for which a sum of Rs.109,572 had been paid form the funds of the sabha.

The following observations were made regarding the misuse of this vehicle.

- (a) The Chairman had driven the vehicle without a driver for a distance of 2112 km. Running Charts had not been maintained in this connection.

- (b) The daily routine work of the Sabha had been affected due to the misuse of this vehicle.

2.8 Accounts Receivable

Revenue debtors amounting to Rs.63,514 continued to be shown in the accounts without being recovered on the due dates.

2.9 Contract Administration

2.9.1 Plan not Implemented

A donation of Rs.42,110 obtained for the mother, child care programme had not been used for the said purpose.

3. Systems and Controls

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

- (a.) Collection of revenue
- (b.) Fixed assets
- (c.) Accounting
- (d.) Donation
- (e.) Sundry deposits
- (f.) Budget