

Poonakarei 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 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 10 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 Poonakarei 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 the Generally Accepted Accounting principles and give a true and paid view of the State of Affairs of the Poonakarei Pradeshiya Sabha as at 31 December 2012 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 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
Understatements	01	Rs. 15,500	05	Rs. 222,440

Overstatements	-	-	06	5,590,000
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1.3.2 Lack of Evidence for Audit

Non-rendition of Information for Audit

Nine transactions totalling Rs.1,037,829 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. 1,433,801 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs. 2,728,190.

2.2 Budgetary Control

Deficiencies were observed between the budgeted and actual income and expenditure items indicating that the budget had not been made use of as an effective instrument of management control.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	-	-	-
(ii.) Lease Rent	1,791	1,353	-
(iii.) Licence Fees	907	358	-
(iv.) Other Revenue	13,977	17,195	1,700

2.3.2 Loss of Revenue

Assessment of rates for properties within the authoritative area of the Sabha had not been computed and as such the Sabha had lost its revenue.

2.3.3 Stamp Fees

- (a) The stamp fees due from the Registrar General for January to December 2012 was Rs. 214,720. Action had not been taken to recover this.
- (b) The stamp fees for 2010-2011 amounting to Rs. 737,774 had been accounted for , However, action had not been taken to recover it.

2.3.4 Fees for Telecommunication Towers

Fees for 4 telecommunication towers installed within the area of the Sabha had not been recovered in terms of Gazette Extraordinary No. 1597/8 of 17 April 2009.

2.4 Non-compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Pradeshiya Sabha Act 1989 (Financial and Administrative Rules) ----- Chapter III Section 81	Action had not been taken with regard to the recovery of stamp fees and court fines at the end of each quarter.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka ----- (i.) 189	The Sabha had obtained a security deposit of Rs. 66,670 on 13 June 2012 by a cheque which had subsequently been dishonoured. The Sabha had not taken action in this regard.
(ii.) 396	Action had not been taken with regard to 2 unrepresented cheques.
(c) Sub section 11 of the Gazette Extraordinary No. 1722/27 of 9 September 2011 of the Democratic Socialist Republic of Sri Lanka.	The Sabha had not taken action to obtain licences for 14 vehicles of the Sabha.
(d) Public Administration Circular No.41/90 of 10 October 1990	Consumption of fuel by vehicles had not been tested.
(e) Treasury Circular No. IAI/2002/02 of 28 October 2002.	A register had not been maintained for computers and accessories as required by the circular.

2.5 Assets Management

2.5.1 Unused Physical Resources

The construction work of the Poonakarei market had been completed at a cost of Rs. 4,281,016 about a year ago. However, action had not been taken to utilize it and as such the Sabha could not earn revenue.

2.5.2 Vehicles not Acquired

The Sabha had not taken action to transfer 14 motor vehicles donated for its usage.

2.6 Accounts Receivable

Revenue debtors amounting to Rs. 188,255 continued to be shown in the accounts had not been recovered up to the date of this report .

2.7 Non-implemented Plans

Donations to Community Centres

- (a) Action had not been taken to hand over donations to the respective community centres belonging to the authoritative area of the Sabha.
- (b) Donations for improvement of work and for maintenance amounting to Rs.262,068 had been granted in 2010. However, it was observed in audit that no such improvement or maintenance work had been carried out so far.

3. Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a) Collection of Revenue
- (b) Fixed Assets
- (c) Accounting
- (d) Donations
- (e) Sundry Deposits
- (f) Budget
- (g) Stores