

Punahari 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 07 July 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 December 2014.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Punahari Pradeshiya Sabha as at 31 December 2013, 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 Deficiencies

The accounting deficiencies observed in the financial statements are shown in the following table under expenditure, revenue and assets.

Effect on Financial Statements	Expenditure		Revenue		Assets	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Overstatements	01	415,000	02	44,103	01	5,590,000

1.3.2 Lack of Evidence for Audit

Eighteen transactions valued at Rs.170,021 could not be vouched in audit due to non-
rendition of necessary evidence for audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent
expenditure of the Sabha for the year under review was Rs.2,801,862 as compared with
the excess of revenue over recurrent expenditure amounting to Rs.1,433,801 for the
preceding year.

2.2 Financial Control

It was observed in audit that there was a difference of Rs.5,602,113 between the budgeted
and actual revenue and a difference of Rs.2,904,341 between the budgeted and actual
expenditure due to lack of proper preparation of budget.

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 the arrears of
revenue, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	-	193	-
Lease Rent	2,143	2,005	-
Licence Fees	602	455	-
Other Revenue	15,985	21,679	3,305
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	18,730	24,332	3,305
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2.3.2 Loss of Revenue

The Sabha had lost its revenue due to non-assessment of properties within the limits of the Sabha.

2.3.3 Stamp Fees

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- (i) Action had not been taken to recover stamp fees of Rs.915,670 due for the period January to December 2013.
 - (ii) Stamp fees for the period 2010-2012 amounting to Rs.1,168,864 had been brought to account. But, action had not been taken to recover it.

2.3.4 Non recovery of Revenue

Revenue debtors amounting to Rs.333,264 remained recoverable upto the date of this report.

2.3.5 Fees for Telecommunication Tower

Action had not been taken to recover the following fees due on the telecommunication tower within the area of the Sabha in terms of Gazette Extra Ordinary No.1597/8 of 17 April 2009.

- (i) Development licence
- (ii) Initial planning
- (ii) Compliance certificate
- (iv) Covering approval

2.4 Non compliance

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

References to Laws, Rules, Regulations

Non-compliance

- (a.) Pradeshiya Sabha (Finance and Administration) Rules-1988

Chapter v
Section 140

An advance of Rs.25,000 had been granted to the Chairman and the Chairman had not furnished any reason for obtaining the advance. This had not been recovered till the date of this report.

- (b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i.) No.189

The cheque for Rs.66,670 obtained as security deposits on 13 June 2012 had been dishonoured. The Sabha had not taken action in this regard.

(ii.) No. 571

Action had not been taken with regard to lapsed deposits of Rs.1,257,649 exceeding 2 years.

- (c.) Circular No.41/90 of 10 October 1990 of the Ministry of Public Administration and Home Affairs

Consumption of fuel by vehicles of the Sabha had not been tested.

- (d.) Treasury Circular No.1A1/2002/02 of 28 November 2002

Registers had not been maintained for computers and accessories as required by the circular.

- (e.) Audit and Management Circular No.DMA/2009(1) of 9 June 2009 of the Secretary to the Ministry of Finance and Planning

Although 4 meetings should have been conducted during the year ender review, no meetings had been held.

2.5 Assets Management

2.5.1 Transfer of Ownership of Vehicles

The Sabha had not taken action to transfer the ownership of 14 vehicles donated to it.

2.6 Management Weaknesses

Development plans of the Sabha had been affected due to 31 vacancies in the staff and action had not been taken by the Sabha in this regard.

2.7 Plans not Implemented

Action had not been taken to render the donations amounting to Rs.361,186 to the respective community centres of the area.

2.8 Expenditure without Approval

Approval of the Minister had not been obtained in terms of Section 132(f) of the Pradeshiya Sabha Act for the expenditure of Rs.415,000 incurred on purchase of milk food for nutrition of children and for disaster management services.

2.9 Internal Audit

An internal audit unit was not in existence at the Pradeshiya Sabha.

2.10 Solid Waste Management

A compost fertilizer system had not been implemented. Instead, the garbage collected had either been set on fire or buried in the soil.

3. Systems and Controls

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

- (i) Revenue collection
- (ii) Fixed assets
- (iii) Accounting
- (iv) Personnel
- (v) Donations
- (vi) Sundry deposits
- (vii) Budget
- (viii) Stores