

**Thunukkai Pradeshiya Sabha**

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**Mullaitivu District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 14 March 2014 and the financial statements for the preceding year had been presented on 25 June 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 December 2014.

**1.2 Opinion**

In my opinion, except for the effects on the financial statements of the matters described in paragraph 1.3 of this 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 Thunukkai Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

(i) The accounting deficiencies observed in the financial statements are shown in the following table under revenue, liabilities and assets.

Effect on Financial Statements	Revenue		Liabilities		Assets	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Understatements	01	3,649,570	01	16,650	-	-
Overstatements	-	-	-	-	02	300,529

(ii) Eleven vehicles donated to the Sabha by government and non-governmental institutions had not been valued and brought to accounts.

### 1.3.2 Unreconciled Accounts

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The balances of 3 items of accounts aggregated Rs.188,327 as per main ledger whereas it aggregated Rs.893,700 as per final accounts resulting in a difference of Rs.705,373.

### 1.3.3 Lack of Evidence for Audit

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Transactions amounting to Rs.61,000 could not be satisfactorily vouched in audit due to non-remission of necessary information.

### 1.3.4 Non-compliance

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

#### Reference to Laws, Rules, Regulations

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#### Non-compliance

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- (a.) Pradeshiya Sabha (Finance and Administration) Rules -1988
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Chapter II  
Section 66

Action had not been taken to recover arrears of revenue amounting to Rs.2,254,231.

- (b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
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No. 571

Action had not been taken with regard to miscellaneous deposits of Rs.123,249 exceeding 2 years.

## 2. Financial and Operating Review

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### 2.1 Financial Results

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year under review was Rs.3,827,730 as compared with the excess of revenue over recurrent expenditure of the previous year amounting to Rs.601.

## 2.2 Financial Control

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The budget had not been properly prepared so that there were differences between the budgeted revenue and expenditure and the actual revenue and expenditure which amounted to Rs.2,820,577 and Rs.1,443,804 respectively.

## 2.3 Revenue Administration

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### 2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

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The information relating to the estimated revenue, actual revenue and the 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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	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
Rates and Taxes	3,821	3,606	-
Lease Rent	216	400	-
Licence Fees	205	264	-
Other Revenue	7,286	10,078	2,254
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	11,528	14,348	2,254
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### 2.3.2 Court Fines

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The court fines due for the year under review amounting to Rs.1,564,450 had been accounted for, as receivable. Action had not been taken to recover it.

### 2.3.3 Revenue Management

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- (i) Stall rent, rent from three wheelers and lease rent for the year under review amounting of Rs.689,781 had not been recovered.
- (ii) Licence fees for 3 telecommunication towers within the Pradeshiya Sabha limits had not been recovered.
- (iii) Advertisement charges for bill boards within the Sabha had not been recovered.

## 2.4 Assets Management

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(i) The following items received as donations remained at the stores without usage.

<u>Item</u>	<u>Qty</u>	<u>Donated by</u>	<u>Year of Donation</u>
Mammoties	63	Red Cross Society	2010
Spades	44	Red Cross Society	2010
Scrapers	49	Red Cross Society	2010

(ii) The Iyen Kulam Market constructed at a cost of Rs.2,708,102 during the year under review under the North East Programme remained unused upto the date of this report Province Development.

2.5 The Kalvilan container yard constructed at a cost of Rs.800,000 during the year under review had many defects such as, breakages from the foundation level and the walls had cracked at many places while the window, locks and hinges had been damaged. The area close to the roof had not been painted.

## 2.6 Operating Inefficiencies

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The UNICEF had trained the villagers to manufacture water purifiers during the year under review and had donated a sum of Rs.916,045 which remained in the Miscellaneous Deposits Account without any usage.

## 3. Systems and Controls

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

- (a) Donations
- (b) Vehicle Utilization
- (c) Recovery of Revenue
- (d) Refundable Deposits
- (e) Stores