

**Puthukkudiyiruppu Pradeshiya Sabha**  
**Mullaitivu District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2015 had been presented to audit on 18 April 2016 and the financial statements for the preceding year had been presented on 10 April 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 05 May 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters referred in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Puthukkudiyiruppu Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Policies**

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Accounting policies adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

**1.3.2 Accounts Receivable and Payable**

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Following observations were made.

- (a) Action had not been taken to recover 05 categories of revenues in arrears aggregating Rs.11, 682,016. These had been shown as receivables during a period ranging from 01 to 05 years.
  
- (b) Nation Building amounting to Rs.120,414 had not been remitted to the Commissioner General of Inland Revenue and had been retained in deposit account.

### 1.3.3 Non-compliances with Laws, Rules, Regulations and Management Decisions

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The following instances were observed.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
(a) Pradeshiya Sabhas (Financial and Administrative) Rules 1988	
(i) Rule 24 of Chapter III	Even though the details of Streets and lanes belong to the Pradeshiya Sabha should be published within three years of its establishment, in the Gazette of Democratic Socialist Republic of Sri Lanka, it had not been done accordingly.
(ii) Rule 33 of Chapter III	Assessment of rates had not been made during the year under review
(iii) Rule 140 of Chapter V	Course of action had not been taken with regard to advances aggregating Rs. 424,367 remained unsettled during a period ranging from 04 to 05 years.
(iv) Rule 180 of Chapter IX	Action had not been taken to obtain Security deposits with regard to cash and stocks.
(b) Circular No.41/90 of 10 October 1990 of the Ministry of Public Administration and Home Affairs	Fuel Consumption test had not been made in respect of 13 vehicles belong to the Sabha.
(c) Procurement Guidelines 2006 of the Democratic Socialist Republic of Sri Lanka	
(i) Section 5.4.12	After payment of Value Added Tax, details of such payment had not been informed to the Commissioner General of Inland Revenue with a copy to Auditor General, on or before the 15 <sup>th</sup> day of the ensuing month.
(d) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	
(i) No. 571	Action had not been taken in respect of 03 categories of deposits aggregating Rs. 2,172,135 which had elapsed two years.

## **2. Financial Analysis**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs. 31,827,810 as compared with the corresponding excess of income over recurrent expenditure amounting to Rs. 20,046,620 of the preceding year, thus indicating an improvement in income over recurrent expenditure for the year under review by Rs.11,781,190 . The main reasons for improvement were increases in recurrent grant and recurrent revenue.

### **2.2 Analytical Financial Review**

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According to the financial statements presented ,Financial results of the Sabha for the year under review had resulted a net surplus of Rs. 69,811 as compared with the corresponding net surplus of Rs. 77,931 for the preceding year, thus indicating a decline of financial results in a sum of Rs. 8,120 for the year under review.

### **2.3 Financial Review**

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#### **Working Capital Management**

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According to the financial statements presented, When the working capital of the Sabha for the preceding year amounting to Rs. 39,206,303 compared with the corresponding working capital of Rs.539,007,059 for theyear under review an improvement of working capital in a sum of Rs.19,800,756 was reflected.

### **2.4 Revenue Management**

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#### **2.4.1 Rates and Taxes**

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Register of Assessment for the rates and taxes had not been maintained in terms of Section 32 of Chapter III of Pradeshiya Sabha (Financial and Administration) Rules of 1988.

#### **2.4.2 Charges for Telecommunication Towers**

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Four type of charges such as issuing development licences, initial plan approval, issuing conformity certificates and covering approval in respect of 11 telecommunication towers constructed in the area of authority of the Sabha, had not been assessed, recovered and brought to the accounts in terms of extra ordinary gazette notification No.1597/8 of 17 April 2009.

### **2.4.3 Stamp Duty**

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an effective course of action had not been taken to recover the Stamp duty aggregating Rs. 1,112,726 due to the Sabha, from the Registrar General of Lands, relevant to a period ranging from 01 year to 05 years.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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Following observations were made.

- (a) Effective course of action had not been taken to transfer the ownership of 24 vehicles donated to the Sabha by the Assistant Commissioner of Local Government and used by the Sabha during a period exceeding 05 years.
- (b) Action had not been taken to fill the 19 vacancies in the cadre of the Sabha .

### **3.2 Asset Management**

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Report on Annual Stores Verification and Report on action on annual stores verification to be submitted in terms of financial regulations 756 and 757 respectively, had not been made available for audit for the year under review.

### **3.3 Abandoned Projects**

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While 17 Capital works estimated to cost Rs.40,762,500 had been abandoned during the year under review and the reasons for abandoned projects were not made available to audit.

### **3.4 Contract Administration**

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Contracts had been directly awarded to the Community Based Organizations without recommendations of the Procurement Committee of the Sabha contrary to the Ministry of Finance and Planning Circular No. 01/2012 of 05 January 2012, Those Community based organization did not possess financial resources to the required level. The progress reports of those works requested by audit had not been submitted.

### **3.5 Delays in Project**

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Seven Projects aggregating to a total value of Rs. 3,646,325 had been awarded and the work commenced during the year under review, However, perfect work, had not been completed up to the end of the year under review. While the value of these projects amounting to Rs.3,346,325 had been shown in the accounts as expenditure, it had been credited to the sundry creditors account during the year under review. However, the Sabha had not taken action to complete the works even up to the end of the year under review.

### **3.6 Solid Waste Management**

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The Sabha had used only the methods of burning and burying system for disposal of the garbages within the area of authority of the Sabha. The Sabha had not implemented compost and recycling projects.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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Budget estimates had not been prepared to make it as an effective mechanism. In that variances between budgeted income and actual income ranging from Rs. 4,000 to Rs. 14,456,482 and variances between budgeted expenditure and actual expenditure ranging from Rs. 41,939 to Rs.2,394,652 were observed.

### **4.2 Procurement Plan**

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Procurement plan and Procurement time Schedule of the Sabha had not been prepared for the year under review and preceding years in terms of section 4.2 of the Procurement Guidelines of 2006.

### **4.3 Internal Audit**

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It was observed in audit that the relevant internal control is not in operation in the absence of an internal audit of the Sabha.

### **4.4 Audit and Management Committee Meeting**

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Even though at least 04 of Audit and Management Committee meetings had to be conducted in terms of Department of Management Audit Circular No. DMA/2009(1) dated 09 June 2009 of the Secretary to the Ministry of Finance and Planning, any such meetings had not been conducted during the year under review

## **5. Systems and Controls**

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

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Accounting
- (iv) Cadre.
- (v) Utilization of Vehicles
- (vi) Miscellaneous Deposits
- (vii) Budgetary Control
- (viii) Procurement Procedure