

**Poonakary Pradeshiya Sabha
Kilinochchi District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 05 May 2017 and the financial statements for the preceding year had been submitted to audit on 27 April 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 18 July 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Poonakary Pradeshiya Sabha as at 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Lack of Evidences for Audit

02 payments of the Sabha totalling Rs. 46,993 for the year under review could not be satisfactorily vouched or accepted in audit due to the non-submission of the evidences of invoice to audit.

1.3.2 Non-compliances with Laws, Rules and Regulations

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

Reference to Laws, Rules and Financial Regulations

(a) Pradeshiya Sabhas Act No. 15 of the year 1987
Section 24 of Part III

(b) **Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988**

(i) Section 66 of the Chapter III

Non-compliances

Actions had not been taken to publish the schedules of roads and lanes belonging to the Sabha within 3 years from the establishment of the Pradeshiya Sabha in the Government Gazette.

Actions had not been taken to recover revenue arrears totalling Rs. 6,036,445.

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| (ii) Section 140 of Chapter V | Actions had not been taken by the Sabha relating to the advances of Rs. 100,000 which had not been settled within the stipulated time period. |
| (iii) Section 178 (3) of Chapter VIII | Register including names of gramodaya mandalaya, community based organizations and community centers which carry out contract works effectively had not been maintained. |
| (iv) Section 178 (5) of Chapter VIII | Bid documents had not been sent by the registered post or officer who authorized by the Chairman when delivering them. |
| (v) Section 180 of Chapter IX | Security money had not been obtained from the officers who are responsible for cash and store. |
| | |
| (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | |
| (i) No. 396(d) | Actions had not been taken by the Sabha relating to the value of cheques totalling Rs. 73,018 which had not been presented for payment over 06 months as at the end of the year under review. |
| (ii) No. 571 | No any meaningful actions had been taken by the Sabha relating to 54 numbers of lapsed deposits totalling Rs. 5,092,511 for over the last two years. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 5,012,326 as compared with the corresponding excess of income over recurrent expenditure of Rs. 6,665,869 for the preceding year, thus indicating a deterioration in the financial results by Rs. 1,653,543.

2.2 Revenue Management

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

| Item of Revenue | Estimated | 2016 | |
|-----------------|-------------------|-------------------|--------------------------------------|
| | | Actual | Cumulative Arrears as at 31 December |
| | Rs. | Rs. | Rs. |
| Rates and Taxes | - | 33,675 | - |
| Lease Rents | 3,450,030 | 1,373,999 | 602,700 |
| License Fees | 562,600 | 665,935 | - |
| Other Revenue | 38,172,394 | 25,346,451 | 2,738,658 |
| Total | 42,185,024 | 27,420,060 | 3,341,358 |

2.2.2 Stamp Fees

Actions had not been taken by the Sabha to recover stamp duty fees aggregating Rs. 4,330,844 due from the Registrar General of Lands during period ranging from 01 to 06 years.

2.2.3 Receivables

Action had not been taken to recover seven revenue totalling Rs. 508,360 shown in the revenue debtor account within the intended period and it had been shown as arrears in the revenue debtor account for the period ranging from 01 to 06 years.

2.2.4 Charges for Telecommunication Towers

It was observed that actions had not been taken by the Sabha to recover the four categories of charges in respect of 04 telecommunication towers constructed under the purview area of the Sabha in the year under review in terms of the Extra Ordinary Gazette notification no. 1597/8 dated 17 April 2009 and total value of those charges had not been computed and brought to the accounts.

3. Operating Review

3.1 Management Inefficiency

Action had not been taken to transfer ownership of the 32 numbers of vehicles donated for the use of the Sabha for the period ranging from 01 to 07 years.

3.2 Vacancies of Cadre

Twenty seven staff vacancies of the Sabha had not been filled. As a result, it could not be ascertained in audit that the works of the Sabha had not been affected.

3.3 Delays in Project

Provision for seven projects totalling Rs. 3,124,734 carried out in the year under review and previous years had been made under the sundry creditors account and meaningful actions had not been taken by the Sabha to execute such work schemes.

3.4 Solid Waste Management

The activities of burning and burying had only made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, any meaningful actions had not been taken by the Sabha to implement solid waste management including the compost and recycling projects.

4. Accountability and Good Governance

4.1 Internal Audit

Internal audit had not been carried out in respect of the activities of the Sabha and internal audit unit had not been established.

4.2 Budgetary Control

Budget estimate had not been prepared properly. As such, variance of Rs. 14,764,964 between the budgeted income and actual income and variance of Rs. 17,000,560 between the budgeted expenditure and actual expenditure were observed in audit.

5. Systems and Controls

Special attention is needed on the following matters

- (i) Recovery of revenue arrears
- (ii) Utilization of Vehicles
- (iii) Contract Administration
- (iv) Revenue Registers
- (v) Supervision of Personnel