

**Puthukkudiyiruppu Pradeshiya Sabha
Mullaitivu District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 12 April 2017 and the financial statements for the preceding year had been presented on 18 April 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

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 2016 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 Policies

Accounting policies had to be adopted in preparing and presenting, had not been disclosed in the financial statements of the Sabha for the year under review.

1.3.2 Accounting Deficiencies

Following observations were made.

- (a) The Value of 25 Nos. of Properties belongs to the Sabha aggregating Rs. 4,989,659 shown in the financial statements for the year under review, could not be satisfactorily ascertained in audit due to non-availability of title deeds and value assessment reports.
- (b) The Value of capital works aggregating to Rs.28,241,175 had not been capitalized during the year under review, thus indicating the value of properties had been understated for the year under review.

1.3.3 Receivables and Payables

Following observations were made.

- (a) Action had not been taken to recover the 03 types of revenues aggregating Rs.10,800,417; and allowed to be as arrears over 01 year.
- (b) Nation Building Tax valued aggregating Rs.120,414 had not been remitted to Commissioner General of Department of Inland Revenue and allowed to be retained in deposit account.

(c) Action had not been taken to recover the outstanding loan balances aggregating Rs. 138,228 for the period ranging from 01 to 05 years.

(d) Outstanding sundry creditor balances aggregating Rs. 925,128 had not been settled during the period ranging from 01 to 03 years.

1.3.4 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following instances were observed.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliances

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

(i) Rule 24 of Chapter III

Even though it should be published the detail of Streets and lanes belongs to the Pradeshiya Sabha within three years of its establishment, those details had not been published in the Gazette of Democratic Socialist Republic of Sri Lanka.

(ii) Rule 32 of Chapter III

Register of assessment for rates and taxes had not been maintained.

(iii) Rule 33 of Chapter III

Assessment of rates had not been made during the year under review.

(iv) Rule 140 of Chapter V

Action had not been made on un-settled advances aggregating Rs. 2,323,888 during the period ranging from 01 to 06 years.

(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

(i) No. 571

Action had not been taken in respect of 03 types of 49 Nos. of individual lapsed deposits aggregating Rs. 4,474,687 during the period ranging from 02 to 04 years.

(c) Public Administration Circulars

(i) No.41/90 of 10 October 1990

Fuel Consumption test had not been made in respect of 14 vehicles belongs to the Sabha.

(d) Procurement Guidelines of the year 2006

(i) Section 5.4.12

After making the payment to cover 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 15th day of the following month.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.36,178,341 as compared with the excess of income over recurrent expenditure amounting to Rs. 31,827,810, thus indicating an increase of income over recurrent expenditure of Rs.4,350,531 for the year under review as compared with the preceding year. The main reasons for improvements were increases in recurrent grant and recurrent revenues for the Sabha.

2.2 Analytical Financial Review

Following observations were made.

- (a) Financial results of the Sabha for the year under review had resulted a net surplus of Rs. 92,953 as compared with the corresponding net surplus of Rs. 69,810 for the preceding year, thus indicating an increase of financial results of Rs. 23,143 for the year under review.
- (b) 71.17 per cent of income over the recurrent expenditures had been transferred to development fund reserve. However, only 2.5 per cent of the development fund reserve had been utilized during the year under review, which was equal to 2.3 per cent of the balance on 01 January 2016.

2.3. Working Capital Management

Working Capital of the Sabha for the year under review had resulted Rs. 90,224,775 as compared with the corresponding Working Capital of Rs. 59,007,059 for the preceding year, thus indicating an increase of working capital of Rs.31,217,716 for the year under review.

2.4 Revenue Management

2.4.1 Revenue Collection Performances

Information on the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Sabha is shown below.

Item of Revenue	Estimated Amount	Actual Amount	Cumulative Arrears as at 31 December 2016
-----	-----	-----	-----
	Rs.000	Rs.000	Rs.000
Rates and Taxes	25	205	-
Rent and Lease Rent	13,816	16,305	360

Licence Fees	1,015	2,902	-
Other Revenue	9,598	25,133	15,168
Total	<u>24,454</u>	<u>44,545</u>	<u>15,528</u>

2.4.2 Charges for Telecommunication Towers

Four type of charges such as issuing development licenses, initial plan approval, issuing conformity certificates and covering approval had to be recovered in respect of 03Nos. of telecommunication towers constructed in the territory areas belongs to 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

Meaningful action had not been taken to recover the Stamp duty aggregating Rs. 938,090 belongs to the Sabha, receivable from the Registrar General of Lands during the period ranging from 01 year to 05 years.

3. Operating Review

3.1 Management Inefficiencies

Following observations were made.

- (a) Meaningful action had not been taken to obtain the ownership of 20 Nos. of Vehicles utilized by the Sabha during the period ranging from 01 to 05 years.
- (b) Action had not been taken to fill the 18Nos. of vacancies in the cadre of the sabha, thus indicating the development activities had been affected.
- (c) A sum of Rs.44.54 million had been allowed to be retained in development fund reserve without being utilized for intended purposes.

3.2 Asset Management

Following observations were made.

- (a) Report on Annual Stores Verification and Report on action on annual stores verification had to be submitted in terms of financial regulations 756 and 757 respectively, had not made available for audit for the year under review.
- (b) A sum of Rs.59.09 million had been allowed to retain in the short term fixed deposits account of two state banks without being utilized during the period ranging from 01 to 10 years. However, the approval to deposit in the short term fixed deposits in those two banks had not made available to audit, thus a 1.68 per cent of deterioration in interest income on those deposits had been observed during the year under review.

3.3 Abandoned Projects

17 Nos. of Capital works estimated at total cost of Rs.58,260,000 had been abandoned during the year under review and the reasons for abandoned projects were not made available to audit.

3.4 Delays in Project

02 Nos. of capital works aggregating valued at Rs. 777,691 had been awarded and commenced during the year under review , had not been completed even up to end of the year under review, However those projects works valued to Rs. 777,691 had been shown as capital expenditure and credited to Sundry Creditors account during the year under review.

3.5 Solid Waste Management

The Sabha had used only the methods of burning and burying system to dispose of the garbages with in the area belongs to the Sabha .Nevertheless, meaningful actions had not been taken to compost and recycling programmes for the effective implementation.

4. Accountability and Good Governance

4.1 Budgetary Control

Budget estimates had not been prepared to make it as effective mechanism. Thus a variance between 06 Nos. of budgeted expenditure and actual expenditure ranging from Rs. 39,710 to Rs.1,543,682 were observed.

4.2 Procurement Plan

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 the year 2006.

4.3 Audit and Management Committee Meeting

Even though at least 04 Nos. of Audit and Management Committee meetings had to be conducted in terms of Department of Management Audit Circular No. DMA/2009(1) of 09 June 2009, only one meeting had been conducted during the year under review.

5. Systems and Controls

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.