

**Poonakary Pradeshiya Sabha
Kilinochchi District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 23 April 2018 and the Report of the Auditor General on those financial statements have been forwarded to the Chairman on 24 August 2018.

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 2017 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 to be adopted in preparing the financial statements had not been disclosed in the financial statements..

1.3.2 Unreconciled Accounts

An arrears of revenue had been shown as Rs. 5,723,939 in the statement of financial position. However, a total sum of notes in respect of such arrears of revenue had been shown as Rs. 4,971,034. As such, a difference of Rs. 752,905 was observed.

1.3.3 Non-compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
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	Rs.	
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988		
(i) Rule 66 of the Chapter III	5,723,939	No actions had been taken by the Secretary of the Sabha to recover arrears of revenue.
(ii) Rule 140 of Chapter V	749,223	No meaningful actions had been taken to recover advances properly paid for the last 01 month to 04 years.
(iii) Rule 178 (3)		Register including names of community based organizations and community centers which carry out contract works effectively had not been prepared.
(iv) Rule 178 (5)		Bid documents had not been sent by a registered post or an officer who authorized by the Chairman when delivering them.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
Financial Regulation 571	3,716,771	No meaningful actions had been taken relating to 112 lapsed deposits for over the last two years.
(c) Circulars of Public Administration		
(i) No. 30/2008 of 30 December 2008	51,880	It was observed an amount of distress loan exceeding the maximum approved limit of Rs. 250,000 had been paid to an officer.
(ii) No. 03/2017 of 19 April 2017		The records to confirm the arrival and departure of public officers to and from offices by using finger scanners had not been updated.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 4,809,086 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 5,012,326.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	27,000	-	38,400	-	-	-	33,675	-
(ii) Rentals	3,915,045	-	2,530,644	723,580	3,450,030	-	1,373,999	601,357
(iii) License Fees	690,450	-	800,952	-	562,600	-	665,935	-
(iv) Other Income	4,680,680	-	4,118,198	562,481	5,189,700	-	4,054,656	1,135,044

2.2.2 Court Fines and Stamp Fees

Court fines of Rs. 2,727,333 and stamp fees of Rs. 1,520,121 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Management Inefficiencies

No meaning actions had been taken for the last 1 year to 3 years to implement capital works totalling Rs. 520,783 which were planned to implement in the previous years and provision made in the financial statements.

3.2 Assets Management

Idle Assets

Five public markets and 05 dried fish stalls valued at Rs. 205,000 had remained idle for the last 02 years due to no one had interest to obtain it on lease as per bidding.

3.3 Human Resources Management

Vacancies and Excesses in Cadre

Approved and actual cadre of the Sabha as at 31 December 2017 was 65 and 37 respectively. As a result, vacancies in the cadre had not been filled and as such works to be performed by such staffs had been affected.

3.4 Delays in Projects

A delay period of 08 months was observed in implementing 08 capital work schemes estimated at a value totalling Rs. 8,062,018 in the year under review

3.5 Solid Waste Management

The activities of burning and burying had only been made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, no meaningful actions had been taken by the Sabha to implement solid waste management including the compost and recycling projects.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from Rs. 5,846 to Rs. 2,610,732 or from 12.5 per cent to 29 per cent between the budgeted expenditure and actual expenditure and from Rs. 723,580 to Rs. 562,481 or from 18 per cent to 12 per cent between the budgeted revenue and actual revenue were observed in the year under review.

4.2 Internal Audit

An internal audit unit had not been established in the Sabha and accounts for the year under review had not been subjected to internal audit examinations.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

Systems

(a) Accounting

Deficiencies

(i) Failure to present cash flow statement along with financial statements.

(ii) Failure to post entries of court fines and stamp fees to revenue register properly

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| (b) Assets/ Property | Thirty two vehicles not belonging to the Sabha had been used by the Sabha for the last 01 year to 07 years. |
| (c) Revenue debtors | Failure to prepare age analysis of arrears of revenue. |
| (d) Human Resources Management | Failure to recruit for the vacancies in the cadre properly. |
| (e) Projects/ Contacts | Failure to complete capital work schemes commenced in the preceding years within the specified period. |