

**Poonakary Pradeshiya Sabha
Kilinochchi District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 12 April 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 29 May 2019 and 25 October 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Presentation of Financial Statements

Audit Observation	Recommendation	Comment of the Accounting Officer
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As per Sub section 16(2) of the National Audit Act No. 19 of 2018, financial statement had been presented to audit only on 23 March 2019 and annual performance report had not been presented along with the financial statements.	Action should be taken in terms of relevant rules/instructions of the circular.	As per Sub section 16(2) of the National Audit Act No. 19 of 2018, performance reports will be prepared and submitted along with the financial statements in future.

(b) Accounting Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
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Accounting policies adopted in preparing the financial statements had not been	Accounting policies should be disclosed in the	Accounting policies to be adopted in preparing and submitting the financial

disclosed by the Sabha in the financial statements.

financial statements.

statements will be disclosed in ensuing year.

(c) **Accounting Deficiencies**

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Lease arrears of meat stall of Rs. 52,589 had not been brought to accounts, thus revenue had been understated by Rs. 52,589.	Actions should be taken to recover arrears of revenue.	This matter will be considered and rectified in the final accounts of the year 2019.
(ii) Two work schemes totalling Rs. 800,000 which included in the sundry creditors account had not been completed and payments thereof had not been made by 31 March 2019.	Actions should be taken to complete the work schemes within the contract period.	Actions will be taken to complete work schemes within the particular year in future periods.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 891(1)	Register of Security had not been maintained.	Action should be taken in terms of financial regulation 891(1)	Action had been taken to maintain Register of Security.
(ii) Financial Regulation 571	No action had been taken in respect of fourty six lapsed	Action should be taken in terms of financial regulation	Eleven deposits had been refunded. Action had been

		deposits totalling Rs. 944,090 for over 02 years.	571.	taken to refund others.
(iii)	Financial Regulation 138	Eight payments valued at Rs. 39,484 had been made without signature of certifying officer for expenditure.	Action should be taken in terms of financial regulation.	Certifying officer's signature had been obtained now.
(iv)	Financial Regulations 371 and 371(2)b amended by the Circular No. 03/2015 of 14 July 2015	Even though it was stated that a sub imprest can be paid up to a maximum amount of Rs. 100,000, a sum of Rs. 110,445 had been paid.	Actions should be taken in terms of instructions of relevant circular.	An advance of Rs. 110,445 had been paid for insuring the vehicle. This advance had been settled now.
(b)	Provincial Financial Rule No. 163.3	Paid advances totalling Rs. 1,332,276 had not been settled by 31 December 2018.	Actions should be taken in terms of Provincial Financial Rule.	Actions had been taken to avoid these errors in the future periods.
(c)	Circular No. 04/2016 of 25 May 2016 of Commissioner of Local Government, Northern Province	Even though it was mentioned that monthly statement in respect of recovery of revenue and recovery of arrears – P.S. 07 accounting report should be prepared monthly, the Sabha had not prepared P.S. 07.	Action should be taken in terms of respective circular.	P.S. 07 had not been prepared for the year 2018. Action had been taken to avoid these errors in the future periods.

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 2018 amounted to Rs. 5,621,348 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 4,809,086.

2.2 Financial Control

Audit Observation	Recommendation	Comment of the Accounting Officer
Fifteen advances totalling Rs. 2,358,422 paid to employees for various purposes had been settled with a delay from 2 to 64 months.	Actions should be taken to settle the advances in due periods.	Action had been taken to charge a penalty as per interest rate of fixed deposit from relevant officer.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

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

Source of Revenue	2018				2017			
	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	212,550	-	197,570	3,850	27,000	-	38,400	-
(ii) Rentals	2,531,460	-	2,591,008	951,617	3,915,045	-	2,530,644	723,580
(iii) License Fees	409,120	-	701,286	-	690,450	-	800,952	-
(iv) Other Revenue	7,075,140	-	8,988,534	7,087,696	6,626,000	-	7,625,735	5,000,357
	10,228,270	-	12,478,398	8,043,163	11,258,495	-	10,995,731	5,723,937

2.3.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Rents and leases totalling Rs. 951,617 as at the end of the year 2018 had been shown as arrears of revenue for the period from 01 to 07 years without being recovered.	Actions should be taken to recover arrears of revenue by the Secretary.	It had been sent to the reconciliation board for taking action to recover arrears of revenue.
(b) No meaningful actions had been taken by the Sabha to bill	Actions should be taken to bill and recover the	Actions had been taken to bill and recover the

and collect its revenue for the last 10 years.

revenue.

revenue in future periods.

2.3.3 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Court Fines		
Court fines of Rs. 4,553,917 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Action should be taken to recover court fines in due periods.	Even though request letters had been sent for court fines, charges therefor had not been received up to now.
(b) Stamp Fees		
Stamp fees of Rs. 2,491,705 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Action should be taken to recover stamp fees in due periods.	Even though request letters had been sent for stamp duties, charges therefor had not been received up to now.

3. Operating Review

3.1 Performance

The matters observed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

(a) Action Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
An annual action plan had not been prepared in respect of the activities to be implemented by the Sabha.	Action should be taken to prepare an annual action plan and act accordingly.	An annual action plan is being prepared and implemented.

(b) Sustainable Development Targets

Audit Observation	Recommendation	Comment of the Accounting Officer
No meaningful actions had been taken to achieve sustainable development targets in terms of the Circular No. A.S.general/2018/61 of 23 April 2018.	Actions should be taken according to the instructions of the relevant circular.	Specific targets are being determined and carried out by the Sabha for achieving sustainable development targets.

3.2 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
Approved cadre and actual cadre of the Sabha as at 31 December 2018 were 72 and 41 respectively and 31 staff vacancies had not been filled.	Action should be taken to fill vacancies.	Four staffs had been filled to senior level and secondary level. Out of that, one staff filled to secondary level had not been released to our station. Vacancies of other staff categories had been settled within this year.

3.3 Assets Management

(a) Failure to recording Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
There were fixed assets totalling Rs. 136,570,183 as at 31 December 2018. However, a fixed assets register had not been maintained by the Sabha.	Action should be taken to maintain a fixed assets register.	Action had been taken to maintain.

(b) Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
There were eleven vehicles in unusable condition. No actions had been taken to	Actions should be taken to change the unusable vehicle to usable condition.	An adequate allocation had not been made available, thus it had remained in non-operational condition. Action

repair it in order to utilize.

will be taken to repair and utilize in the future periods. A letter had been forwarded for getting approval to sell bowsers and trailers by auction.

(c) **Assets not acquired**

Audit Observation	Recommendation	Comment of the Accounting Officer
Thirty eight vehicles donated to the Sabha for the utilization of the Sabha had not been owned by the Sabha up to now.	Action should be taken to transfer the ownership of the vehicle.	Out of 38 vehicles of the Sabha, ownership of ten vehicles had been transferred. One vehicle had remained in lease basis. There were eleven vehicles without any registration. Action had been taken to transfer the ownership of six vehicles.

(d) **Idle Assets**

Audit Observation	Recommendation	Comment of the Accounting Officer
Actions had not been taken to generate revenue through carry out work schemes by using the motor grader and roller of the Sabha	Action should be taken to obtain revenue by using the assets.	There was a shortage of driver to use the motor grader. At present, the roller had been damaged. Action had been taken to utilize it by repairing.

3.4 Annual Board of Survey

Audit Observation	Recommendation	Comment of the Accounting Officer
It was mentioned in the report on board of survey that there were shortages of 168 books at Public Library, Poonakary. However, no actions had been taken in this regard.	Relevant action should be taken in respect of shortages of books.	Twenty nine books had been received from readers up to now.

3.5 Identified Losses

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Work schemes of Viji road rehabilitation, Pallavarayankaddu cholai school road rehabilitation and Don Bosco road rehabilitation carried out for the prior year of the year under review had been completed after delay of 06 months which stated in the contract, thus demurrages of Rs. 92,900, Rs. 45,000 and Rs. 78,015 respectively had not been recovered.	----- Actions should be taken to recover demurrages.	----- As works are completed by the contractor who registered contract in the ICTAD institute, there is a rule and regulation to recover liquidity damages. Actions will be taken to include clauses relating to liquidity damage in to the conditions of the contract based on the decision of the Sabha in future periods.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comment of the Accounting Officer
----- A sum of Rs. 274,000 had been allocated in the budget of the year 2018 for the course. However, it had been utilized for other purposes through fund transfer of vote without being utilized for the intended purpose.	----- Action should be taken to utilize the provision for allocated purpose.	----- There was low revenue in the Sabha. As such, provision for the intended purpose had been utilized for another purpose.