

**Poonakary Pradeshiya Sabha
Kilinochchi District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 18 June 2020 and 18 July 2020 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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Comments of the Accounting Officer	Recommendations
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(i) Two capital work schemes budgeted at Rs. 850,000 had not been implemented and it had been overstated in the accounts as a capital expenditure and overstated in the sundry creditors account.	There was a revenue inability in the Sabha in respect of installation of lift work scheme and action had been taken to complete the road renovation work.	Work schemes should be completed by preparing budget in an efficient manner.
(ii) Retention money belonging to the contractor amounting to Rs. 83,241 had been shown in the advance accounts, thus advance account had been overstated.	This error had been rectified.	Action should be taken to enter in the accounts correctly.
(iii) Netpulavu road work scheme of the year 2018 had been shown as capital expenditure and a sum of Rs. 300,000 had been shown in the sundry creditors account without being carried out capital work, thus the balance of the sundry creditors had been overstated.	At present, work had been completed and report had been submitted.	Said work scheme should be completed as per contract.

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| (iv) Depreciation reserve of Rs. 210,000 had been credited to accumulated fund account without being credited to depreciation reserve account, thus accumulated fund account had been overstated. | Action will be taken to account depreciation reserve as a capital reserve in ensuing year. | Capital reserves should be shown in the accounts. |
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(b) Unreconciled Accounts

----- Audit Observations -----	----- Comments of the Accounting Officer -----	----- Recommendations -----
(i) Even though physical medicine stock of the Ayurvedic Hospital as at the end of the year under review had been as Rs. 317,061, a sum of Rs. 282,430 had been shown as medicine stock of the Ayurvedic Hospital, thus medicine stock of the Ayurvedic Hospital amounting to Rs. 34,631 had been understated in the financial statements.	This error will be considered and rectified.	Accounts should be reconciled.
(ii) The balance of the stationery stock ledger had been as Rs. 143,853 as at 31 December 2019. However, a sum of Rs. 33,401 had been shown under the stationery stock accounts in the financial statements, thus there were differences in the stocks valued at Rs. 110,452.	This error will be considered and rectified.	Accounts should be reconciled.
(iii) Revenue assistance account balance for the capital usage had been as Rs. 140,627,654 and fixed assets of the Sabha had been as Rs. 139,164,596, thus a sum of Rs. 1,463,058 had been as a difference.	Not replied	Accounts should be reconciled.

(c) Lack of written evidences for Audit

----- Audit Observation -----	----- Comment of the Accounting Officer -----	----- Recommendation -----
Register of fixed assets and reports on board of survey of equipment had not been submitted to audit in respect of equipment and electrical fitting items valued at Rs. 1,463,914 which were shown as fixed assets in the financial statements, thus it could not be verified the value of the assets shown in the accounts.	Action had been taken to maintain fixed assets register and equipment register.	Relevant registers should be maintained.

1.4 Non-compliances

Observations

Reference to Laws, Rules and Regulations	Value	Non-compliances	Comments of the Accounting Officer	Recommendations
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	Rs.			
(a) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	868,715	No meaningful action had been taken in respect of 28 lapsed deposits for over two years.	Two deposits had been refunded. Action had been taken to refund others.	Action should be taken in terms of financial regulation.
(b) Financial Regulations 371 and 371(2)b amended by the Circular No. 03/2015 of 14 July 2015	128,320	An advance had been paid to the name of the private institution without being issued sub imprest to the name of the staff grade officer.	It was corrected now.	Action should be taken in terms of financial regulation.
(c) Section 151 of Pradeshiya Sabhas Act No. 15 of 1987.	-	Annual trade license duty had been levied for 07 telecommunication towers without being determined such duty and tax on the basis of the apportioned annual value of the area of the premises occupied for the purposes of trade.	There were issues in recovery due to lapsed event.	Action should be taken in terms of the Act.
(d) Provincial Financial Rule No. 163.3(ii) of 2008 of Northern Provincial Council of the Democratic Socialist Republic of Sri Lanka	449,704	Five advance payments had not been settled.	All advance payments had been settled.	Actions should be taken in terms of Financial Rule.

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| (e) | No. 165 of Section 16 of Chapter VII of the Gazette Notification of the Democratic Socialist Republic of Sri Lanka of 17 April 1989. | - | It was stated that a main register in respect of revenue, expenditure, advances, deposits, loans, fixed deposits and related accounts should be prepared. However, the main register had not been prepared by the Sabha. | Action had been taken to prepare the main register. | The main register should be prepared. |
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(f) Other Circulars

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| ----- | | | | | |
| (i) | Circular No. 04/2016 of 25 May 2016 of Commissioner of Local Government, Northern Province | 9,771,416 | 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 had been taken to avoid these errors in the ensuing periods. | Action should be taken in terms of the circular. |
| (ii) | Section 32(1) of Agrarian Development Act No. 46 of the year 2000 | - | Fourty two houses had been constructed in the area of paddy lands under the purview of the Sabha. However, no meaningful actions had been taken by the Sabha in this regard. | Action is being taken legally. | Action should be taken in terms of the Act. |

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 2019 amounted to Rs. 10,539,575 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 5,621,348.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Collected 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	2019			2018		
	Estimated Revenue	Collected Revenue	Arrears as per Statement of Financial Position as at 31 December	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	369,000	539,785	-	212,550	197,570	3,850
(ii) Rentals	3,882,255	3,816,574	1,383,562	2,531,460	2,591,008	951,617
(iii) License Fees	319,400	922,622	5,000	409,120	701,286	-
(iv) Other Revenue	6,311,370	34,809,529	8,340,780	7,075,140	8,988,534	7,087,696
	10,882,025	40,088,510	9,729,342	10,228,270	12,478,398	8,043,163

2.2.2 Performance in Collection of Revenue

Audit Observations	Comments of the Accounting Officer	Recommendations
(a) No meaningful actions had been taken by the Sabha to bill and collect its revenue for over the last 10 years.	Actions had been taken to bill and recover the recent revenue in the budget estimate.	Actions should be taken to bill and recover the revenue.
(b) Arrears of rents and leases totaling Rs. 1,383,564 as at the end of the year 2019 had not been recovered for the period from 01 to 08 years. However, no actions had been taken to recover arrears of rents.	It had been sent to the board of arbitration for taking action to recover arrears of revenue.	Action should be taken to recover arrears of revenue.
(c) Member allowance of Rs. 42,074 had been shown as arrears in the accounts for over the last three years and no meaningful actions had been taken to recover it.	Action had been taken to recover it.	Action should be taken to recover arrears.

2.2.3 Rates and Taxes

Audit Observation	Comment of the Accounting Officer	Recommendation
The Sabha had not been made an assessment list in respect of rates and taxes in terms Section 139 of Pradeshiya Sabhas Act No. 15 of 1987, there was not a practice of assessing and recovering rates and taxes of building, house and land and there was a decrease of revenue due to nonrecovery of rates and taxes annually.	Fees levied by the Act are recovered.	Action should be taken in terms of the Act.

2.2.4 Court Fines and Stamp Fees

Audit Observation	Comment of the Accounting Officer	Recommendation
Court fines and stamp duties of Rs. 6,205,717 and Rs. 2,080,313 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Even though request letters had been sent to the Department of Inland Revenue, charges therefor had not been received up to now.	Action should be taken to recover in due period.

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) By-Laws

Audit Observation	Comment of the Accounting Officer	Recommendation
By-laws were required to be enacted for 33 main functions in terms of section 126 of the Pradeshiya Sabhas Act. However, any by-laws had not been enacted for any function even as at 31 December 2019.	An annual action plan has been prepared and implemented in the Sabha.	By-laws should be enacted in terms of the Act.

(b) Activities deviated from Objectives

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
The fund of Rs. 411,250 allocated for cemetery works had been used for purchasing street lamps by the end of the year under review without being utilized for cemetery work plan, thus it was observed that such activity is deviated from the planned objective.	The Sabha had proposed alternative essential work plans for budgeted works by considering risks in implementing said plans.	Work plans should have been implemented as per budget.

(c) Abandoned Activities

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Activities of three work plans valued at Rs. 1,111,000 budgeted in the year under review had been abandoned completely without being obtained expected outcomes.	The Sabha had proposed alternative essential work plans for budgeted works by considering risks in implementing in the current year.	Work plans should be implemented as per budget and obtained relevant outcomes.

(d) Solid Waste Management

Audit Observations -----	Comments of the Accounting Officer -----	Recommendations -----
(i) A solid waste categorizing system had not been adopted in respect of wastes obtaining from houses, stalls, hotels, vegetable and fruit sale centers, meat stalls, factories, hospitals, public places which are situated under the purview of the Sabha as per nature of places.	Action had been taken to dispose safely.	Solid waste management system should be adopted appropriately.
(ii) The Sabha had not given any training to the officers in respect of waste management and medical test to be carried out annually had not been carried out for 02 sanitary labourers.	It will be considered and implemented in ensuing periods.	Training of waste management should be given and medical tests should also be carried out.

(e) Environmental Issues

Audit Observations	Comments of the Accounting Officer	Recommendations
(i) Collected wastes are burnt without being implemented different mechanism to segregate wastes, thus environment is affected.	It was disposed without being incurred hazards to the environment.	Collected wastes should be disposed without being affected environment.
(ii) Meats are sold daily at Naachchikuda, Vadiyadi and its wastes and bones are thrown backside reservoirs of that place, thus bad smell spreads out and reservoirs around the area had been affected.	Wastes are disposed hygienically.	Action should be taken to protect the environment.

(f) Sustainable Development Targets

Audit Observation	Comment of the Accounting Officer	Recommendation
A plan in respect of sustainable development targets had not been prepared on the basis of long term.	Intended targets had been determined and implemented.	A long term plan should be prepared.

3.2 Human Resources Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Vacancies and Excesses in the Cadre Approved cadre and actual cadre of the Sabha as at 31 December 2019 were 72 and 44 respectively and 28 staff vacancies had not been filled up to now.	Interview had been held. Approval had not been granted to give appointments.	Relevant action should be taken to fill vacancies.

3.3 Operational Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though three hundred and thirty five building applications had been received for permission for the period from the year 2017 to the year 2019, permissions had only been granted for 17 buildings. No any meaningful actions had been taken in respect of 318 buildings constructed without permission.	Actions are being taken for building applications.	Relevant action should be taken in terms of the Pradeshiya Sabhas Act.

3.4 Assets Management

3.4.1 Failure to recording Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Ownership of 12 vehicles which are being used by the Sabha had been remained in the name of the suppliers since the year 2009 to up to date without being taken action to transfer to the name of the Sabha.	----- Action is being taken to transfer to the name of the Sabha.	----- Ownership should be transferred in due period.

3.4.2 Failure to confirm the Security of the Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Revenue license and insurance cover had not been obtained for 04 vehicles and revenue license and insurance cover of 03 vehicles had been lapsed. However, no any actions had been taken to renew them.	----- Action is being taken.	----- Action should be taken to renew revenue license and insurance cover of the vehicles in due periods.

3.4.3 Failure in carrying out Maintenance and Repairing

Audit Observations	Comments of the Accounting Officer	Recommendations
----- (a) Six vehicles belonging to the Sabha had remained as idle for over the period from 01 to 05 years and no meaningful actions had been taken to repair them in order to utilize.	----- Action is being taken.	----- Action should be taken to utilize.
(b) 04 water bowser vehicles and 02 trailers had remained as idle in a corroded condition without being registered in the Department of Motor Traffic and maintained.	Action is being taken for recording.	Action should be taken to utilize.

3.4.4 Idle Assets

Audit Observation

Eleven stalls situated in the Vadiyadi market shop complex under Sub Office, Poonakary had remained as idle for over 06 years since the year 2014.

Comment of the Accounting Officer

Action is being taken to rent out the stalls.

Recommendation

Action should be taken to utilize stalls in due periods.