

Delft Pradeshiya Sabha

Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 March 2014 and the financial statements for the preceding year had been presented on 10 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 October 2014.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters referred to in paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Delft Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

(i) The accounting deficiencies observed in the financial statements are shown in the following table as revenue and liabilities.

Effect on Financial Statements	Revenue		Liabilities	
	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.
Overstatement	01	104,620		
Classification Error		-	01	712,756
Understatement	01	31,250	01	712,756

- (ii) The value of 10 vehicles of the Sabha had not been assessed and included in the final accounts. As a result, the value of motor vehicles had been understated in the accounts.

1.3.2 Lack of Evidence for Audit

----- Non rendition of Information for Audit -----

Six transactions valued at Rs.663,828 could not be vouched in audit due to non-rendition of necessary information.

1.3.3 Non-compliance

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

Reference to Laws, Rules, Regulations

Non-compliance

1989 Pradeshiya Sabha (Finance
and Administration) Rules

Chapter V
Section 140

The Secretary had not taken action with regard to non-payment of advance of Rs.160,819 on the due date.

Financial Regulation 571

Action had not been taken to credit to revenue lapsed deposits of Rs.42,396 exceeding 2 years.

Pradeshiya Sabha Act No.15 of
1987

Section 152(J)

Although the prior approval of the ministry is required for entertainment expenses exceeding Rs.1,000 such approval had not been obtained for expenditure incurred from the funds of the Sabha amounting to Rs.8,840.

Financial Regulation 1646

Daily running chart of the pickup vehicle bearing No.LG 8966 had not been furnished for audit with regard to the usage of 806.79 litres of diesel for the year under review amounting to Rs.94,568.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.107,656 as against the recurrent expenditure exceeding the revenue amounting to Rs.1,324,059 of the preceding year.

2.2 Financial Control

It was observed in audit that there were variances between the budgeted revenue and expenditure and the actual revenue and expenditure amounting to Rs.4,465,140 and Rs.4,298,239 respectively.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
(i.) Rates and Taxes	515	62	34
(ii.) Lease Rent	497	323	148
(iii.) Licence Fees	1,924	1,203	-
(iv.) Other Revenue	8,561	6,043	393

2.3.2 Assets Management

Legal or any other effective action had not been taken by the Sabha to recover the arrears of Rs.574,727 relating to lease rent, water tax and ploughing machine charges.

2.3.3 Court Fines

A list of court fines had not been obtained from the Magistrate's Court for September to December of the year under review with regard to fines collected under various ordinances in order to include them in the accounts.

2.3.4 Stamp Fees

- (i) A list of stamp fees due had not been received and accounted for.
- (ii) Stamp fees of Rs.378,700 obtained on behalf of 2 years prior to the year under review had not been disclosed in the accounts.

2.3.5 Irregular Payment

A sum of Rs.12,252 had been paid for diesel consumed by the vehicle in which the Chairman had travelled to Colombo to attend the National Local Government Conference. The particulars such as details of the vehicle hired, distance performed, receipts for diesel obtained etc., had not been furnished.

2.3.6 Assets Management

Assets not Verified

The value of fixed assets amounting to Rs.33,648,386 as at 31 December 2013 had not been confirmed by the board of survey.

2.3.7 Vehicles

- (i) Two vehicles of the Sabha remained idle during the year under review .
- (ii) Fuel consumption of 2 vehicles could not be verified due to damaged milometers.

2.4 Contract Administration

(i) Delay in Execution of Projects

Six projects amounting to Rs.2,059,122 included in the Sundry Debtors Account had not been executed even during the year under review although provision had been made in sundry debtors during 2010 and 2011.

(ii) Projects Abandoned

Five projects amounting to Rs.5,750,000 had been abandoned.

3. Systems and Controls

Special attention is needed in the following areas of control.

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Sundry Deposits
- (iv) Miscellaneous Deposits
- (v) Advances