

Point Pedro 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 31 March 2014 and the financial statements for the preceding year had been presented on 01 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 26 November 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 Point Pedro 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 assets, revenue and liabilities.

Effect on Financial Statements	Assets		Revenue		Liabilities	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Overstatement	01	54,950	-	-	-	-
Understatements	-	-	01	1,147,750	02	239,628
Omission	01	26,550	-	-	-	-

(ii) The value of 13 vehicles received as donations had not been valued and brought to account and as such the value of vehicles had been understated in the accounts.

1.3.2 Unreconciled Accounts

(a) The balances of three accounts as per main ledger aggregated Rs.401,737 whereas it aggregated Rs.47,647,583 as per final accounts.

(b) Staff Loans

Four balances aggregating Rs.314,375 shown in the register of staff loans had not been included in the final accounts.

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 and Regulations

1988 Pradeshiya Sabha
(Finance and Administration) Rules

Chapter V
Section 158(1)

Chapter V
Section 140

Section 132(J) of the Pradeshiya
Sabha Act No.15 of 1987

Non compliance

The Chairman had not issued warrants to those who had not paid arrears of assessment tax amounting to Rs.798,670 as at end of the year under review.

The Chairman had not taken action with regard to unsettled advances of Rs.3,785,005.

Expenditure on entertainment during a year should not exceed Rs.1,000 and prior approval is needed for any expenditure incurred in excess of the limit. However, prior approval had not been obtained for the expenditure of Rs.30,515 incurred on entertainment and purchase of gifts for prize giving.

Financial Regulations of the
Democratic Socialist Republic of
Sri Lanka

Financial Regulation 571

Lapsed deposits of Rs.2,885,751 for the period 1991-2010 remained in the miscellaneous deposits account without action being taken in terms of the regulation.

Public Administration Circular
No.12/2000 (iv)

An allowance of Rs.500 per practical trainee should be paid as per circular whereas Rs.300 per day had been paid to Technical-College trainees for the period May-June 2013 resulting in a lesser payment of Rs.39,900.

1.3.4 Lack of Evidence for Audit

Non Rendition of Information for Audit

Transactions valued at Rs.42,630,490 could not be vouched in audit due to non rendition of necessary information for audit.

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.88,098 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.873,359

2.2 Financial Control

The budget had not been properly prepared and as such it was observed in audit that there was a difference of Rs.11,158,955 between the budgeted and actual revenue and a difference of Rs.3,598,470 between the budgeted and actual expenditure.

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 are given 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	57	119	799
(ii.) Lease Rent	3,429	4,318	270
(iii.) Licence Fees	4,773	3,231	-
(iv.) Other Revenue	27,925	39,675	58,327

2.3.2 Court Fines

- (i) Court fines amounting to Rs.4,230,933 due from the Magistrate's Court Point Pedro for the previous year had been entered in the financial statements as revenue and receivables. But, action had not been taken to obtain it.
- (ii) The list of court fines of Rs.2,795,200 due from the Magistrate's Court, Point Pedro for the year under review had been obtained. But, the relevant amount had not been obtained upto the date of this report.

2.3.3 Arrears of Revenue

The amount due as rates and taxes and lease rent for the year under review and the previous year was Rs.1,069,166. This continued to be shown as arrears of revenue without effective action being taken for recovery.

2.4 Annual Board of Survey

- (i) Shortages relating to 17 items were observed at the board of survey for 2012.
- (ii) According to the board of survey report, 4 items had been handed over to the Jaffna Development Board. But, there were no documents or letters in the file to confirm it.

2.5 Assets Management

2.5.1 Vehicle Utilization

- (i) Five damaged vehicles remained parked in the premises of the Sabha for many years.
- (ii) The milometers of 3 vehicles had become out of order and as such the fuel consumed per kilometre could not be computed.
- (iii) The Auditor General had not been informed of the damage caused to the Pick Up No.WPLG 8974 as per Financial Rules (Sections 69 and 69(i) of Chapter 2) of the Northern Province.

2.6 Contract Administration

2.6.1 Capital works Carried out without Approval

It was observed that during the year under review capital works amounting to Rs.1,113,045 had been carried out without being approved by the Sabha in its budget.

2.6.2 Projects not Executed

The public had been deprived of the benefits due from 9 projects amounting to Rs.16,4 million approved by the budget for the year under review as the projects had not been executed.

2.7 Operating Inefficiencies

The sum of Rs.336,000 allocated to community centres by the Commissioner of Local Government during 2008-2010 was in the Miscellaneous Deposits Account without being granted to the centres.

3. Systems and Controls

Special attention is needed in the following areas of control.

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Vehicle Utilization
- (iv) Budget
- (v) Miscellaneous Deposits
- (vi) Reconciliation of staff Loan Register