

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 10 April 2013 and the financial statements for the preceding year had been presented on 04 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 September 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Delft Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my 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 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements.

1.3.1 Accounting Deficiencies

The accounting deficiencies observed in the financial statements in respect of assets and liabilities are shown in the following table.

<u>Effect on Financial Statements</u>	<u>Assets</u>		<u>Liabilities</u>	
	<u>No of Instances</u>	<u>Value Rs.</u>	<u>No of Instances</u>	<u>Value Rs.</u>
Overstatements	01	2,880		
Omissions			01	691,225

1.3.2 Lack of Evidence for Audit

09 transactions totaling Rs. 6,243,928 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.1,324,059 as against the excess of revenue over recurrent expenditure amounting Rs. 4,739,057 for the preceding year.

2.2 Financial Control

The budget had not been properly prepared and as such a difference of Rs. 2,951,741 between the actual revenue and the budgeted revenue and a difference of Rs.3,556,685 between the budgeted expenditure and the actual expenditure were observed in audit.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue.

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears</u> <u>as at 31 December</u>
	<u>Rs. 000'</u>	<u>Rs. 000'</u>	<u>Rs. 000'</u>
Rates and Taxes	230	143	22
Lease Rent	208	284	139
Licence Fees	10	34	-
Other Revenue	2,846	5,784	253

2.3.2 Revenue Management

Meaningful action had not been taken to recover the taxes, rent, trade licence fees and other revenue amounting to Rs. 414,308.

2.3.3 Court Fines

A list of court fines due for the year under review had not been called for so as to include in the accounts.

2.3.4 Stamp Fees

The stamp fees receivable from the Registrar General, Lands had not been brought to account.

2.4 Assets Management

2.4.1 Annual Board of Survey

The fixed assets and stores items had not been verified by a Board of Survey, but, had been shown at Rs.16,140,600 on book value. Details are given below.

<u>Item</u>	<u>Amount</u>
	Rs.
Fixed Assets	13,211,265
Stores Items	<u>2,929,335</u>
	<u>16,140,600</u>

2.4.2 Advance Accounts

- (a) Eventhough advances should be settled immediately after the completion of the purpose for which it is granted, advances amounting to Rs. 310,819 granted during the year under review had not been settled. .
- (b) Advances amounting Rs. 156,715 had not been settled for over 10 years. Details are given below.

<u>Year</u>	<u>Purpose</u>	<u>Amount</u>
		Rs.
1999	Expansion of water supply	100,000
2000	Purchase of goods	56,215
2004	Advance for membership	<u>500</u>
		<u>156,715</u>

2.5 Non - compliance

Non - compliance with the provisions in the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions.

Non-compliance

(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988

(i) Section 5(xii) of Chapter II

Security deposits had not been obtained from the officers responsible for dealing with cash and stores.

(ii) Section 81 of Chapter III

Action had not been taken by the Sabha in respect of stamp fees and fines quarterly.

(iii) Section 140 of Chapter V

Action had not been taken by the Secretary of the Sabha to recover unsettled advances of Rs. 310,819.

(b) **Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka**

Sundry deposits amounting to Rs. 42,396 for over a period of two years had not been transferred to revenue.

(c) **Northern Provincial Financial Rules**

Nos. 101 and 102

Internal Audit Programme and Internal Audit Reports for each quarter had not been submitted to the Auditor General by the Sabha.

(d) **Value Added Tax Act, No 14 of 2002.**

Collection of Value Added Tax amounting to Rs.125,006 had not been remitted to the Department of Inland Revenue.

2.6 Delays in Completion of Projects

- (a) Although a provision amounting to Rs. \21,260,557 had been made under sundry creditors to the civil works during the year 2010 and 2011 there had been delays in implementation of 10 civil works.
- (b) The rehabilitation works of 06 projects valued at Rs. 86,150,000 had not been implemented during the under review.

2.7 Operating Inefficiencies

The following observations are made.

- (a) Retention money of Rs. 40,896 recovered from contractors in 2007 had not been paid to them and it had been kept in the miscellaneous deposits account.
- (b) A sum of Rs. 3,150 recovered from the employee had been kept in the miscellaneous deposits.

2.8 Internal Audit

Adequate internal audit had not been carried out by the Sabha.

3. Systems and Controls

Special attention is needed in respect of the following arrears of systems and controls.

- a. Revenue Collection
- b. Fixed Assets
- c. Budgetary Control
- d. Miscellaneous Deposits