

## Point Pedro Pradeshiya Sabha.

### Jaffna District

#### 1.0 Financial Statements

##### 1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 01 April 2013 and the financial statements for the preceding year had been presented on 16 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 Point Pedro 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 give a true and fair view of the state of affairs of the Point Pedro Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation and cash flows for the year then ended.

##### 1.3 Comments on Financial Statements

###### 1.3.1 Accounting Deficiencies

(a) The accounting deficiencies observed in the financial statements in respect of assets, revenue, expenditure and liabilities are shown in the following table.

Effect on the Financial Statements	Assets		Revenue		Expenditure		Liabilities	
	No of Instances	Value Rs.	No of Instances	Value Rs.	No of Instances	Value Rs.	No of Instances	Value Rs.
Understatements	02	6,119	01	278,736	01	450,878	01	3,466
Overstatements	-	-	01	2,801,023	-	-	-	-
Classification Errors	06	183,735			-	-	-	-

- (b) Value of 23 vehicles donated to the Sabha by various institutions during the period 1998 to 2011 had not been shown in the financial statements and value of those vehicles had not been ascertained.

### **1.3.2 Lack of Evidence for Audit**

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Five transactions totaling Rs. 29,069,134 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

## **2. Financial and Operating Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year under review amounted to Rs. 873,359 as compared with the excess of revenue over recurrent expenditure amounting Rs.24,040,350 for the preceding year.

### **2.2. Financial Control**

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Budgeted estimates had not been properly prepared. As a result a difference of Rs. 25,853,281 between the budgeted revenue and the actual revenue and a difference of Rs. 4,650,332 between the budgeted expenditure and the actual expenditure were observed in audit.

### **2.3 Revenue Administration**

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#### **2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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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 shown below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulated arrears as at 31 December</b>
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	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>
Rates and Taxes	28	132	744
Lease Rent	4,212	2,739	214
Licence Fees	374	414	-
Other Revenue	21,843	49,025	35,204

### 2.3.2 Revenue in Arrears

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Legal action had not been taken to recover arrears of revenue debtors of Rs. 958,122 relating to rates, rent and market lease over 5 years.

### 2.3.3 Loss of Revenue

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Supply of electricity had been handed over to the Ceylon Electricity Board from 1999. However, a sum of Rs. 1,506,750 due from the Commissioner of Local Government on maintenance of street lamps within the Sabha area had not been reimbursed resulting in a loss to the Sabha.

### 2.3.4 Courts Fines

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Action had not been taken to recover the court fines amounting to Rs. 6,465,633 receivable from Magistrate Courts for the year 2012.

### 2.3.5 Stamp fees

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- (a.) No action had been taken to recover the stamp fees receivable for the period since June 2012 from the Register General of Land.
  - (b.) Meaningful action had not been taken to recover stamp fees amounting to Rs.28,737,893 scheduled for the period from 2010 to 2012 other than accounted as revenue and receivables. Details are given below.

<b>Year</b>	<b>Stamp Fees Recoverable</b>
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	<b>Rs.</b>
2010	8,968,628
2011	13,199,955
2012 (June)	6,569,310
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	<b>28,737,893</b>
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## **2.4 Assets Management**

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### **2.4.1 Idle and Underutilized Physical Resources**

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Twelve vehicles which could have been used after attending minor repairs had been lying idle without action being taken to repair them.

### **2.4.2 Annual Board of Survey Report**

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As per Board of Survey Report 2012, there was a shortage of 08 number of items, and 19 number of items were unutilized. In this regard no action had been taken on the shortages. Further 85 numbers of books at Sub office library, Kuddathani had not been confirmed by the Board of Survey.

### **2.4.3 Un recovered Staff Loan balances**

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Although an officer of the Sabha had been interdicted due to disciplinary action since 2008, the loan balance Rs. 141,150 due from him had not been recovered.

## **2.5 Non-compliance with Laws, Rules and Regulations etc.**

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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**

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#### **(a.) Pradeshiya Sabha Act No.15 of 1987**

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##### **(i.) Section 132 of Chapter V**

### **Non-compliance**

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The prior approval of the Minister in charge of the subject should be obtained for expenditure on entertainment exceeding Rs.1,000 per year. However, a sum of Rs. 11,305 had been paid for the year under review for entertainments without obtaining such approval.

(ii.) Section 158(1) of Chapter V

The Secretary had not issued warrant notices in order to collect the arrears in rates amounting to Rs. 744,165 from those who were failed to pay assessment tax.

**(b.) Pradeshiya Sabha (Financial and Administrative) Rules of 1988**

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(i) Chapter III -Section 70

The revenue clerk had not prepared a list of defaulters and submitted to the Secretary on arrears of rents amounting to Rs. 213,957 after the period of lapse.

(ii) Chapter III -Section 81

Action had not been taken by the Sabha in respect of stamp fees and court fines for each quarter.

(iii) (iii) Chapter V Section 140

The Secretary had not taken action in respect of unsettled advances of Rs. 10,171,705.

**2.6 Contract Administration**

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- (a.) A sum of Rs.894,615 given as donations by the District Secretariat for providing drinking water and health facilities to Tsunami affected people had not been used for the intended purpose and this amount had been used for the construction of office building and slaughter house at Maruthankerny.
  - (b.) A sum of Rs.24,950 had been spent for exhibition of resettled model village which is not objective of the Sabha or not related to the Local Govt. Conference Exhibition - 2012.

**2.7 Delays in Implementations of Projects.**

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- (a) A sum of Rs.3,509,158 relating to 5 capital works not approved in the current year's budget of the Sabha had been allocated under sundry creditors to implement in the future periods.
  - (b) Works valued at Rs. 6,500,000 relating to 06 projects of road and market complex planned to be carried out during the under review had not been implemented.

## **2.8 Management Inefficiencies**

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- (a). Donations for a Community Centre amounting to Rs. 301,516 given by the Commissioner of the Local Government during the period 2009 – 2010 had been kept in the miscellaneous deposit accounts, without being utilized for the intended purpose.
- (b). Environmental licence fees amounting to Rs 147,265 for the period of 2010 - 2012 kept in the miscellaneous deposit account without being utilized for the inspection of environment.

## **3. Systems and Controls**

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

- a. Collection of Revenue
- b. Fixed Assets
- c. Accounting
- d. Human Recourses
- e. Donations
- f. Utilization of Vehicles
- g. Miscellaneous Deposits
- h. Budgetary Control