

**Pointpedro Urban Council**

**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 25 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 20 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 Pointpedro Urban Council 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 in 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 Pointpedro Urban Council 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, liabilities and revenue are shown in the following table.

<b>Effect on the Financial Statements</b>	<b>Assets</b>		<b>Liabilities</b>		<b>Revenue</b>	
	<b>No of Instances</b>	<b>Value Rs.</b>	<b>No of Instances</b>	<b>Value Rs.</b>	<b>No of Instances</b>	<b>Value Rs.</b>
Understatements			-	-	01	10,017,755
Overstatements	01	22,853	02	709,184	-	-
Classification Errors	01	29,250			-	-

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

Four transactions totaling Rs 8,127,941 could not be satisfactorily vouched in audit due to the non-rendition of required information to audit.

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

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2012 amounted to Rs.1,030,071 as compared with the excess of revenue over recurrent expenditure amounting to Rs 2,579,336 for the preceding year.

### **2.2 Financial Control**

The budget had not been properly prepared and as such a difference of Rs. 31,875,951 between the actual revenue and the budgeted revenue and a difference of Rs. 8,456,810 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**

According to the information furnished by the Chairman the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review are given below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>
Rates and Taxes	966	1,068	3,373
Lease Rent	46,728	16,377	107
Licence Fees	229	403	-
Other Revenue	31,662	29,862	1,694

### **2.3.2 Recovery of Revenue**

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No proper action had been taken by the Council to recover the arrears of revenue debtors amounting to Rs. 4,246,822.

### **2.3.3 Loss of Revenue**

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Following observations are made.

- (a). Although the activities relating to the supply of electricity had been handed over to the Ceylon Electricity Board, no agreement had been entered into with the Ceylon Electricity Board with regard to maintenance of street lights within the area of the Council. As such an expenditure of Rs. 1,182,000 incurred by the Council for maintenance of street lights during the year under review had not been reimbursed, resulting a loss of revenue of the Council.
  
- (b). Due to the delay in completion of construction work of the shopping complex, the Council had to incur a loss of revenue.

### **2.3.4 Court Fines**

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Court fines amounting to Rs. 2,698,500 imposed under various ordinances during the year under review had not been brought to accounts.

### **2.3.5 Stamp Fees**

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Stamp fees receivable from the Register General of Lands for the years 2010, 2011 and 2012 amounting to Rs.3,731,540, Rs. 6,196,884 and Rs.7,319,255 respectively had not been brought to the accounts.

## **2.4 Assets Management**

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

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The following observations are made.

- i. As per board of survey report it was observed that a stock of 47 items had been damaged, 18 items to be repaired and 113 items to be auctioned. However these items had been kept in the stores unutilized.
- ii. A tractor bearing No.270-0050 at repairable condition had been kept in the garage without action being taken to repair.
- iii. It had been recommended by the Board of Survey to auction 23 Alhadeen pipes. However, a physical inspection found that the item had been lost.

### **2.4.2 Staff Loans Recoverable**

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No action had been taken to recover the staff loans amounting to Rs. 8,000 due from officers who had vacated the services.

### **2.4.3 Assets Not Verified**

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Assets had been shown in the financial statements as Rs.20,173,019 based on book value without being confirmed by verification.

## **2.5 Non-compliances**

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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**

**Non-compliance**

**(a) Financial Regulations of the  
Democratic Socialist Republic  
of Sri Lanka**

(i.) Financial Regulation. 571

Miscellaneous deposits amounting to Rs. 8,682,183 exceeding two years had not been credited to revenue.

(ii.) Financial Regulation. 234

Follow up action had not been taken on two unrealized cheques amounting to Rs.1,700 which had lapsed a period of 06 months.

**(b.) Financial Rules of the Northern  
Provincial Council**

Rules 101 and 102

The internal audit programme and the internal audit reports had not been furnished to the Auditor General quarterly.

**(c.) Valued Added Tax Act No. 14  
of 2002.**

VAT recovered in 2010, 2011 and 2012 amounting to Rs. 1,058,742 had not been remitted to the Department of Inland Revenue.

**(d.) Nation Building Tax Act No. 09  
of 2009**

The Nation Building Tax amounting to Rs. 175,921 recovered in 2010, 2011 and 2012 had not been remitted to the Department of Inland Revenue.

**(e.) Procurement Guidelines of  
2006**

Vehicles valued at Rs. 1,578,900 had been purchased by the Council during the year under review, without calling for tenders and obtaining recommendations of the Procurement Committee.

**(f.) Public Administration Circular  
No. 15/2007**

A sum of Rs. 403,200 had been given to an officer contrary to the provisions of the Circular.

## **2.6 Delay in Implementation of Projects.**

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The following observations are made.

- (a) Expenditure amounting to Rs. 566,011 for 03 Projects to be implemented in 2011 had not been paid for the period and had been kept in the sundry creditors account for future utilization.
- (b) A sum of Rs. 2,923,338 for 05 capital works to be implemented during the year under review had been kept in the sundry creditors account for future utilization. However, this had not been included in the budget of the Council for the year under review
- (c) Eight Projects budgeted at Rs. 8,800,000 had not been implemented during the year under review.

## **2.7 Operating Inefficiencies.**

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The following observations are made

- (a) Grants amounting to Rs. 1,120,346 had been kept in the deposits account without being utilized for the specific purposes.
- (b) Retention money amounting to Rs. 171,174 recovered in 2011 from the contracts had been kept in the miscellaneous deposits accounts without action being taken to pay to the contractors.
- (c) A sum of Rs. 4,093 relating to the community centres had been kept in the miscellaneous deposits account over two years without making payment to the Community Centers.

## **2.8 Internal Audit**

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

### 3. **Systems and Controls**

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

- (a) Revenue Collection.
- (b) Fixed Assets.
- (c) Donations
- (d) Miscellaneous Deposits.
- (e) Budgetary Control.