

Delft Pradeshiya Sabha
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 12 May 2017 and the financial statements for the preceding year had been submitted to audit on 31 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Delft Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies to be adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Pension reserve had not been made for a sum of Rs. 694,814 payable to the Director General of Pensions for pensions and pensionable benefits of the officers of local government service in the preceding year, thus accumulated fund had been overstated in the accounts.
- (b) Four category assets valued at Rs. 3,835,000 had not been included in the value of building, thus value of building had been understated in the financial statements.
- (c) Stamp fees of Rs. 430,850 for the period from the year 2011 to the year 2016 had not been accounted.

1.3.3 Non-maintenance of Registers and Books

Registers such as register of land and building, register of fixed assets, register of losses and register of measurement had not been maintained by the Sabha.

1.3.4 Receivable Accounts

Two advances amounting to Rs. 156,215 for the period from the year 1999 to the year 2000 had not been settled by the Sabha up to now.

1.3.5 Lack of Evidences for Audit

Three transactions valued at Rs. 85,055 could not be satisfactorily vouched in audit due to lack of good received note.

1.3.6 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliances
-----	-----
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Rule 32 of Chapter III	The register in respect of assessment tax on property had not been maintained by the Sabha and assessment tax on property had also not been recovered.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 315	It had not been ensured that the Government assets had been kept in the safe custody and security arrangements had also been made by the Accounting Officer.
(ii) Financial Regulation 316 (2)	Registers in respect of daily cash balances and articles kept in safe custody had not been maintained.
(iii) Financial Regulation 571	Action had not been taken in respect of lapsed deposits of Rs. 1,373,254.
(iv) Financial Regulation 880	It had not been ensured that the security money had been obtained from the officers who are responsible for cash and store.
(v) Financial Regulation 1645	Daily vehicle running charts had not been sent to the audit monthly.
(c) Circular no. 41/90 dated 10 October 1990 of the Ministry of Public Administration and Home Affairs	Fuel consumption for the vehicles of the Sabha had not been tested.

1.3.7 Transactions without Adequate Authority

A sum of Rs. 1,292,854 had been estimated to decorate and safeguard the pigeon shell in the year 2015 and works had also been commenced. However, such works had not been completed up to now.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year under review had resulted in an excess of income over recurrent expenditure of Rs. 2,252,348 as compared with the corresponding excess of income over recurrent expenditure of Rs. 751,422 for the preceding year, thus indicating an improvement in the financial results by Rs. 1,500,926 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs. 2,119,384 as compared with the corresponding net surplus of Rs. 357,582 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 1,761,802 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 6,129,907 as compared with the corresponding working capital of Rs. 3,372,923 for the preceding year, thus indicating an improvement in the working capital by Rs. 2,756,984 for the year under review.

2.4 Revenue Administration

2.4.1 Performance of Revenue Collection

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Secretary are given below.

Item of Revenue	Estimated	2016	
		Actual	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	103	96	7
Lease Rents	1,028	855	78
License Fees	22	77	-
Other Revenue	17,442	12,418	2,683
Total	18,595	13,446	2,768

2.4.2 Assessment tax on Property

Assessment tax on property in the Sabha had not been recovered.

2.4.3 Lease and Rents

The following observations are made.

- (a) Lease rent of Rs. 43,700 had not been recovered by the Sabha.
- (b) Rent of road roller amounting to Rs. 775,000 had remained as arrears.

2.4.4 License Fees

Annual tax for one telecommunication tower situated under the purview of the Sabha had not been recovered.

2.4.5 Other Income

Cemetery tax for six cemeteries situated under the purview of the Sabha had not been recovered by the Sabha.

2.4.6 Stamp fees

Stamp fees of Rs. 2,089,440 for the period from the year 2006 to the year 2016 had not been recovered from the Registrar General of Lands.

3. Operating Review

3.1 Management Inefficiency

Approved cadre of the Sabha was 32. However, 21 staffs had been deployed in service. Accordingly, shortages and excess in the cadre were 12 and 01 respectively.

3.2 Underutilized Assets

A bowser had remained idle in the Sabha.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 3,200 to Rs. 5,921,202 between the budgeted expenditure and actual expenditure were observed in audit.