

**Pointpedro 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 30 March 2017 and the financial statements for the preceding year had been submitted to audit on 28 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 19 September 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 Pointpedro 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 matters was observed.

- (a) The value of fourteen vehicles being used by the Sabha had been evaluated at Rs. 9,143,000 and brought to accounts. However, ownership thereof had not been transferred, thus the value of the motor vehicles had been overstated in the accounts.
- (b) Seven vehicles being used by the Sabha without transferring ownership had not been brought to accounts, thus the value of the motor vehicles and cycles had been understated in the accounts.
- (c) Ownership of five vehicles had been transferred to the Sabha and values thereon had been evaluated. However, value thereon had not been brought to accounts, thus the value of the motor vehicles had been understated in the accounts by Rs. 995,000.
- (d) Value of six land and buildings had not been brought to accounts, thus the value of the land and buildings had been understated by Rs. 2,126,064.

1.3.3 Receivable and Payable Accounts

(a) Receivable Accounts

Four categories of advances totalling Rs. 34,875 should be settled in the particular year. However, such advances had not been settled up to now.

(b) Payable Accounts

Seventy two categories of payments totalling Rs. 2,714,090 payable to the particular persons or institutions had been kept in the deposit accounts without being paid up to now.

1.3.4 Non-maintenance of Registers and Books

Registers such as register of vehicles and register of losses had not been maintained by the Sabha.

1.3.5 Lack of Evidences for Audit

A transaction of Rs. 13,866 could not be satisfactorily vouched or accepted in audit due to lack of required evidence.

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
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(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Rule 5(xii) of Chapter I	It had not been ensured that the security money had been obtained from the officers who are responsible for cash and store.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	Retention money of Rs. 2,719,033 older than two years had been kept in the miscellaneous deposit account without being taken action in terms of financial regulation.

- (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.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 30,645,168 as compared with the corresponding excess of income over recurrent expenditure of Rs. 21,255,711 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 9,389,457 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. 261,246 as compared with the corresponding net surplus of Rs. 5,401,962 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 5,140,716 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. 146,051,137 as compared with the corresponding working capital of Rs. 128,395,174 for the preceding year, thus indicating an improvement in the working capital by Rs. 17,655,963 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	2016		Cumulative Arrears as at 31 December
	Estimated	Actual	
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	60	79	919
Lease Rents	6,040	4,413	117
License Fees	1,170	1,264	-
Other Revenue	65,930	62,915	-
Total	73,200	68,671	1,036

2.4.2 Lease Rent

Arrears of lease rent amounting to Rs. 117,000 had to be recovered in the particular year.

2.4.3 License Fees

License fees and construction fees had not been recovered for 02 telecommunication towers in the two areas under the purview of the Sabha.

2.4.4 Other Income

Cemetery tax had not been recovered by the Sabha for 34 cemeteries under the purview of the Sabha.

2.4.5 Stamp fees

Stamp fees of Rs. 5,369,625 receivable for the period from the year 2015 to the year 2016 had not been recovered.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Approved cadre of the Sabha was 81. However, 73 employees had been deployed . Accordingly, shortages and excesses in the approved cadre were 12 and 04 respectively.
- (b) At least 04 Audit and Management Committee meetings should be conducted for a year in order to carry out the activities of the Sabha efficiently. However, one Audit and Management Committee meeting had only been held in the Sabha during the year under review.

3.2 Operating Inefficiencies

Donations of Rs. 145,113 issued by the Commissioner of the Local Government for Community Centers for the period 2007 to 2016 had not been granted to the relevant Community Centers.

3.3 Underutilized Assets

The following observations are made.

- (a) Two markets of the Sabha had remained idle.
- (b) A project in respect of tourism sector development in seashore carried out at a cost of Rs. 2,805,443 had not been utilized for intended purpose.

3.4 Delays in Projects

Non-executed Projects

Eleven work plans authorized by the budget of the year under review had not been implemented in the year under review.

3.5 Loss of Income

Three market shops under the purview of the Sabha had not been rented out.

3.6 Waste Management

Wastes had been collected and dumped without being separated.

4. Good Governance and Accountability

4.1 Budgetary Control

Expenditure Structure

Variances ranging from Rs. 5,000 to Rs. 16,097,100 between the budgeted expenditure and actual expenditure were observed in audit.

4.2 Asset Management

Non-utilization of Assets

Twelve vehicles had remained idle in damaged condition.

4.3 Annual Board of Survey - 2016

Action had not been taken in respect of 1000 liters tars which were not utilized in the head office.