

Point Pedro Urban Council,
Jaffna District

1. **Financial Statements**

1.1 **Presentation of Financial Statements**

The financial statements for the year under review had been presented for audit on 07 April 2011 and the financial statements of the preceding year had been presented for audit on 31 March 2010

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 Urban Council had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.3 to 3 of this report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give true and fair view of the state of affairs of the Point Pedro Urban Council as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.3 **Comments on the Financial statements,**

1.3.1 **Accounting Policies**

Accounting Policies adopted for the preparation of financial statements had not been disclosed with the financial statements.

1.3.2 **Accounting Deficiencies**

The accounting deficiencies observed in the accounts in terms of assets, liabilities, revenue and expenditure are given under the number of instances and values are given in the following table.

	<u>Assets</u>		<u>Liabilities</u>		<u>Income</u>		<u>Expenditure</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
	<u>of</u>		<u>of</u>		<u>of</u>		<u>of</u>	
	<u>Instances</u>	Rs.	<u>Instances</u>	Rs.	<u>Instances</u>	Rs.	<u>Instances</u>	Rs.
Overstatements in the Accounts	-	-	-	-	02	141,810	01	67,061
Understatements in the Accounts	01	277,000	01	492,774	-	-	-	-
Omission in the Accounts	-	-	01	858,179	-	-	-	-

Accounts Payable

The value of balances of accounts payable older than 1 year as at 31 December 2010 amounted to Rs. 786,502.

1.3.3 Lack of Evidence for Audit

Non-submission of Information to Audit

Transactions valued at Rs. 3,548,937 could not be satisfactorily vouched in audit due to unavailability of information required for audit.

1.3.4 Non compliances

Non –compliances with the provision in the following laws, rules, regulations and management decisions observed during the course of audit are given below.

Reference to laws, Rules and Regulations and Management Decisions

(a) Establishments Code
Chapter VIII Section 10

Non compliance

The Council had paid a sum of Rs.16,100 to the public Health Inspector for working in weekend and public holidays for less than 8 hours per day contrary to the Establishments

Code.

(b) Public Finance Circular Action had not been taken to dispose of the
No.353(5) dated 31 August 2004 assets of the Council remaining unused for 5
years.

(c) Urban Council Financial Trade License fees certificates had not been
Rules issued to tax payers.
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2. **Financial and Operating Review**

2.1 **Financial Results**

According to the Financial Statements presented the excess of revenue over the recurrent expenditure of the Council for the year ended 31 December 2010 amounted to Rs. 18,544,975 while as compared with the excess of revenue over the recurrent expenditure for the preceding year amounting to Rs.7,405,477.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
	<i>000</i>	<i>000</i>	<i>000</i>	<i>000</i>	<i>000</i>	<i>000</i>
Rates and Taxes	1,100	1,051	3,729	1,280	1,044	3,745
Lease Rent	3,284	4,210	719	1,838	2,119	-
License Fees	203	224	6	227	176	-
Other Revenue	26,354	34,465	1,609	26,149	25,086	722

2.2.2 **Courts Fines**

Action had not been taken to recover Courts fines amounting to Rs. 1,569,500 collected up to 31 December 2010 by point Pedro Magistrates Courts under various ordinances and remitted to the Chief Secretary.

2.2.3 **Stamp Fees**

Action had not been taken to recover the stamp fees for the year 2010 from the Registrar General.

2.2.4 **Non Recovery of Environmental licence fees**

In terms of Section 26 of the National Environmental Authority Act, No 47 of 1980 as amended by the Amendment Act No 86 of 1988 and the Amendment Act, No.53 of 2000 the powers relating to the issue of Environmental licences for specified activities had been devolved on to the respective Local Authorities will effect from September 2001 by the Notification published in the Gazette No 1159/22 of 22 November 2000. Nevertheless, the revenue receivable had been lost due to the failure to issue the licences during the year 2010 to 28 institutions in the area of authority of the Council, which should have obtained Environmental Licences.

2.2.5 **Revenue Debtors.**

Action had not been taken to recover the arrears of assessment tax, rent, licence fees and other income recoverable amounting to Rs.6,063,000 in respect of the preceding years as at 31 December 2010.

2.3 **Expenditure Structure**

The budgeted and the actual expenditure of the Council for the year under review and the preceding year together with the variances are given below.

<u>Item of Expenditure</u>	<u>2010</u>			<u>2009</u>		<u>Variance</u> Rs. 000
	<u>Budgeted</u> Rs. 000	<u>Actual</u> Rs. 000	<u>Variance</u> Rs. 000	<u>Budgeted</u> Rs. 000	<u>Actual</u> Rs. 000	
<u>Recurrent Expenditure</u>						
Personal Emoluments	21,594	19,451	2,143	21,779	19,118	2,661
Others	2,917	1,954	963	2,462	1,902	560
Sub-total	24,511	21,405	3,106	24,241	21,020	3,221
Capital Expenditure	11,712	3,788	7,924	9,800	7,098	2,702
Grand Total	36,223	25,193	11,030	34,041	28,118	5,923

2.4 Human Resource Management

2.4.1 Approved and Actual Cadre

Particulars of the approved and the actual cadre of the Sabha as at 31 December 2010 are given below.

<u>Category of posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grades	03	
Secondary Grades	27	25
Primary Grade	55	50
Others(Casual/Temporary)	-	06
Total	85	81

2.5 Assets Management

2.5.1 Accounts Receivable

The Balances of accounts receivable as at 31 December 2010 amounted to Rs.2,587,353 while balances of accounts older than 01 year amounted to Rs.3,729,181

2.5.2 Staff Loans Recoverable

Staff loan balances recoverable as at 31 December 2010 totalled Rs.2,587,353 while balances remaining outstanding for over a period of 01 year amounted to Rs.1,373,963.

2.5.3 **Non-moving Current Assets.**

The value of non- moving current assets older than 01 years as at 31 December 2010 amounted to Rs.48,235.

2.5.4 **Assets not Surveyed**

The value of assets not supported by Board of Survey Reports and computed at the book values as at 31 December 2010 amounted to Rs16,133,962.

2.6 **Activities Extraneous to Objectives.**

It was observed in audit that the following expenditure had been incurred on objectives extraneous to the functions devolved on the Council by law. Overtime payment Rs.6,570 had been made for the housing works of International Non-Government and Non-Government Housing scheme from the Council Fund.

2.7 **Transactions not Supported by Adequate Authority**

A sum of Rs.9,250 had been paid as allowance to the members of the Board of survey and the Disposal Committee contrary to the Northern Provincial Treasury Circular No.PT/01/2009 dated 28 January 2009.

2.8 **Operating Inefficiencies.**

The following observation are made

- (a) Action had not been taken to recover a sum of Rs.8,650 as Withholding Tax from payments amount to Rs 121,500 made during the period January to December 2010 and remitted to the commissioner General of Inland Revenue.
- (b) It was observed in audit that there was a revenue loss of Rs.192,336 without including input tax the Quarterly returns of Value Added Tax for the year 2010.

- (c) The value of nine fixed assets had not been ascertained and brought to account.
- (d) Licence had not been obtained for the slaughterhouse maintained by the Council in terms of National Environmental Act No. 47 of 1980 and Gazette Notification No.1159/22 dated 22 November 2000. Details of the number of cattle slaughtered in each month had not been registered as required in terms of Section 13 of Butchers Ordinance (cap.608).
- (e) The revenue lost by the Council due to not signing agreements with the Ceylon Electricity Board in respect of maintenance of street lamps. Council had not been accounted separately for expenses on the maintenances of street lamps.
- (f) Reimbursement of expenditure of Rs.41,234 incurred by the Council on street lighting without entering in to an agreement with the Ceylon Electricity Board for street lighting.

2.9 **Performance.**

The Council had not prepared an Annual Action Plan at the beginning of the year of accounts. Therefore, the expected objectives and the progress there are had not been achieved.

2.10 **Internal Audit**

An adequate internal audit in the Council had not been carried out.

3 **Systems and Controls**

Special attention is drawn to the following areas of systems and controls.

- (a) Budgetary Control.
- (b) Accounting.
- (c) Revenue Administration.
- (d) Assets Management