

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 to audit on 10 March 2014 and the financial statements for the preceding year had been presented on 25 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 19 December 2014.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of 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 Point Pedro Urban Council as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (i) The accounting deficiencies observed in the financial statements are shown in the following table as assets, liabilities and revenue.

Effect on Financial Statements	Assets		Liabilities		Revenue	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Understatements	03	2,647,232	01	20,425,119	01	29,450
Overstatements	01	149,922	01	34,404,489	-	-
Omission			01	25,572		

- (ii) Eleven vehicles donated to the Sabha and being sued by the Sabha had not been valued and brought to account resulting in an understatement of value of vehicles.

1.3.2 Lack of Evidence for Audit

Transactions valued at Rs.13,006,084 could not be vouched in audit due to non- rendition of necessary information for audit.

1.3.3 Non-compliance

The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations	Non-compliance
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Urban Councils Ordinance

Chapter 255
Section 76(1)

Action had not been taken with regard to 13 unauthorized buildings.

Financial Regulation 571

Action had net been taken with regard to the sum of Rs.6,302,092 recovered for allocating stalls in the building complex during 2010.

Financial Rules of the Urban Councils 1939

Chapter V
Section 168

Separate pages for individual advances had not been maintained in the register of advances of the Council.

Chapter V
Section 176

The balances of deposits appearing in the register of deposits had not been reconciled with the balances of the main ledger.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.34,404,489 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.1,030,071.

2.2 Financial Control

It was observed in audit that there was a difference of Rs.33,254,275 between the budgeted and actual revenue and a difference of Rs.13,047,873 between the budgeted and actual expenditure due to lack of proper preparation of budget.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
(i.) Rates and Taxes	967	1,056	3,212
(ii.) Lease Rent	11,767	26,896	-
(iii.) Licence Fees	1,086	1,227	97
(iv.) Other Revenue	44,540	62,434	25,668

2.3.2 Revenue Management

Legal or any other effective action had not been taken to recover arrears of rates and taxes, lease rent and licence fees of Rs.4,265,527 for the year under review and the previous year.

2.3.3 Court Fines

Effective action had not been taken by the Council to recover court fines of Rs.4,193,000 for the period 2011-2013 from the Magistrates Court, Point Pedro.

2.3.4 Stamp Fees

Stamp fees of Rs.44,128,203 due for the period 2010, 2011, 2012 to 2013 had not been recovered upto the date of this report.

2.4 Assets Management

2.4.1 Idle and Under Utilized Physical Resources

Vehicle Utilization

- (i) Three vehicles remained idle during the year under review.
- (ii) Fuel consumption of 2 vehicles could not be ascertained in audit due to damaged milometers of those vehicles.

2.5 Operating Inefficiencies

The capital grant of Rs.587,091 given to the Council by the Commissioner of Local Government for development of the Council in 2010 remained in the General Deposit Account without being utilized till end of the year under review.

2.6 Contract Administration

(i) Projects not Executed

Ten projects valued at Rs.16,295,700 to be executed during the year under review had been included in the Sundry Debtors Account without the work being carried out.

(ii) Project without Approval

The Council had spent Rs.3,316,796 from its fund for 5 projects which had not been approved in the budget.

3. Systems and Controls

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

- (a) Collection of Revenue
- (b) Budget
- (c) Vehicle Utilization
- (d) Sundry Debtors
- (e) Deposit Account