

**Pointpedro Urban Council**  
**Jaffna District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The financial statements for the year under review had been submitted to audit on 28 March 2016 and the financial statements for the preceding year had been submitted to audit on 16 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Council on 27 August 2016.

**1.2 Qualified Opinion**  
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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 Urban Council as at 31 December 2015 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**  
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**1.3.1 Accounting Deficiencies**  
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The lease rent of Rs. 24,000 had not been transferred from miscellaneous deposit to accumulated fund. As such, accumulated fund had been understated in the accounts.

**1.3.2 Payables**  
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- (a) Environment protection fees of Rs. 465,533 had been kept in the deposit account without being remitted to the Urban Development Authority.
- (b) Retention money of Rs. 220,458 had been retained in the deposit account since the year 2013 without being paid to the relevant contractor.

**1.3.3 Lack of Evidence**  
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Two transactions valued at Rs. 77,968 could not be satisfactorily vouched or accepted in audit due to lack of required evidences.

**1.3.4 Non-compliances with Laws, Rules and Regulations**  
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The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

**Reference to Laws, Rules and Financial Regulations**

**Non-compliance**

**(a) Urban Council Rule**

(i) Rule 54 (1) of Chapter III

Although the schedule in respect of rates and taxes should be handed over to the Secretary before 15 November and payments should be made and completed before 15 December, it had not been implemented as well.

(ii) Rule 171 of Chapter VII

Cash book and other registers had not been checked by the Secretary daily.

**(b) Urban Councils Ordinance**

Section 44(2)

Schedules of roads and lanes belonging to the Council had not been published in the Government Gazette.

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

Financial Regulation 571

Action had not been taken in respect of deposits value of Rs. 597,251 older than two years in terms of Financial Regulation

**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the operations of the Council for the year ended 31 December 2015 had resulted in an excess of income over recurrent expenditure of Rs. 31,138,713 as compared with the corresponding excess of income over recurrent expenditure of Rs. 39,604,771 for the preceding year. Increase of expenditure was the reason attributed for this deterioration in the financial results by Rs. 8,466,058.

**2.2 Working Capital**

According to the financial statements presented, the working capital of the Council for the year under review had resulted in Rs. 177,637,018 as compared with the corresponding working capital of Rs. 161,485,199 for the preceding year, thus indicating an improvement in the working capital by Rs. 16,151,819 for the year under review.

**2.3 Revenue Management**

**2.3.1 Performance of Revenue Collection**

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

Item of Revenue	Estimated	2015	
		Actual	Cumulative arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	985	1,064	3,160
Lease Rents	10,009	13,825	-
License Fees	470	524	-
Capital Donation			107
Other Revenue	55,756	57,438	35,640
<b>Total</b>	<b>67,220</b>	<b>72,851</b>	<b>38,907</b>

### 2.3.2 Rates and Taxes

Rates and taxes of Rs. 3,160,437 had not been recovered during the year under review.

### 2.3.3 License Fees

Recoverable rents and license fees of Rs. 1,093,537 had not been recovered during the year under review.

### 2.3.4 Stamp Fees

Stamp fees valued at Rs. 30,776,769 had not been recovered from the Registrar General of Lands during the year under review.

## 3. Operating Review

### 3.1 Solid Waste Management

Solid waste management activities had not been implemented under the purview of the Council.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

The budget estimate had not been prepared properly. As such, variances ranging from Rs. 111,211 to Rs. 4,409,056 between the budgeted expenditure and actual expenditure were incurred.

#### **4.2 Internal Audit**

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Internal audit activities had not been carried out satisfactorily.

#### **4.3 Audit and Management Committee Meeting**

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Audit and Management Committee meetings should be conducted to carry out the operations of the Council efficiently. However, Audit and Management Committee meetings had not been held at the respective Council during the year under review.

#### **4.4 Asset Management**

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##### **Idle Assets**

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- (a) A tractor had remained idle for over five years.
- (b) A vehicle park valued at Rs. 1,545,182 had remained idle.

#### **5. Systems and Controls**

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Special attention is needed in respect of the following areas.

- (a) Budget
- (b) Recovery of Revenue
- (c) Advance
- (d) Deposit
- (e) Utilization of Vehicle
- (f) Sundry Debtors