

Pointpedro Urban Council
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 21 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 Council on 17 July 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 Urban Council 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 Council had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The ownership of 04 vehicles issued as donation had not been transferred to the Council and values thereon had not been brought to accounts, thus the value of the motor vehicles had been overstated by Rs. 4,520,000 in the accounts.
- (b) The vehicle which ownership was not transferred to the Council had been evaluated and brought to final account, thus the value of the motor vehicles had been overstated by Rs. 270,900 in the accounts.

1.3.3 Non-maintenance of Registers and Books

Registers such as register of losses, register of measurement sheets and register of land sales had not been maintained by the Council.

1.3.4 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliances
<hr/>	<hr/>
(a) Urban Council Rule Rule 54 (1) of Chapter III	Although the schedule in respect of rates and taxes should be handed over to the Secretary before 15 th November and payments should be made before 15 th December, it had not been implemented as well.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	Action had not been taken in respect of deposits older than two years amounting to Rs. 401,500.
(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 Council for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 29,497,752 as compared with the corresponding excess of income over recurrent expenditure of Rs. 31,138,713 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 1,640,961 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Council for the year under review had resulted in net surplus of Rs. 6,633,599 as compared with the corresponding net surplus of Rs. 10,505,737 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 3,872,138 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, the working capital of the Council for the year under review had resulted in Rs. 188,639,153 as compared with the corresponding working capital of Rs. 177,637,018 for the preceding year, thus indicating an improvement in the working capital by Rs. 11,002,135 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	Cumulative Arrears as at 31 December
		Actual	
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	985	1,078	3,342
Lease Rents	16,093	9,111	-
License Fees	560	876	-
Other Revenue	70,698	63,468	41,793
Total	88,336	74,534	45,135

2.4.2 Assessment tax on Property

Assessment tax on property recoverable of Rs. 1,895,390 had not been recovered up to now.

2.4.3 Stamp Fees

Stamp fees of Rs. 26,899,879 had not been recovered.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- Even though approved cadre of the Council was 103, actual cadre was 89, thus shortages in the cadre were 14.
- At least 04 Audit and Management Committee meetings should be conducted for a year in order to carry out the activities of the Council efficiently. However, 02 Audit and Management Committee meetings had only been held in the Council during the year under review.

3.2 Underutilized Assets

The following observations are made.

- (a) A two wheel tractor had not been utilized for last 5 years.
- (b) Vehicle Park valued at Rs. 1,545,182 had remained idle.

3.3 Contract Administration

Four capital work plans valued at Rs. 4,768,900 had been abandoned.

3.4 Waste Management

Wastes had been dumped without being separated.

4. Good Governance and Accountability

4.1 Budgetary Control

Expenditure Structure

Variances ranging from Rs. 19,423 to Rs. 10,709,150 between the budgeted expenditure and actual expenditure were observed in audit.

4.2 Unresolved Audit Query

Reply for audit query in respect of irregular transaction had not been obtained up to now.