

Pointpedro Pradeshiya Sabha
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 28 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 30 September 2018.

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 2017 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 adopted in preparing the financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) A pickup vehicle obtained by the Sabha on the basis of lease had not been owned by the Sabha. However, value thereof amounting to Rs. 6,390,000 had been brought to financial statements, thus the value of the motor vehicles had been overstated in the financial statements of the year under review.
- (b) A gully vehicle issued to the Sabha as donation had not been owned by the Sabha. However, value thereof amounting to Rs. 1,881,900 had been brought to the financial statements for the last 03 years, thus the value of the motor vehicles had been overstated in the financial statements of the year under review.
- (c) A water bowser belonging to the Sabha had not been assessed and brought to the financial statements, thus the value of the motor vehicles had been understated in the financial statements of the year under review.

1.3.3 Non-compliances

Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 371	11,405	No actions had been taken to settle an advance paid to a service supplier for vehicle repair for the last two years.
(ii) Financial Regulation 571	2,214,826	No meaningful actions had been taken by the Sabha in respect of twenty six categories of lapsed deposits for the last 2 years to 12 years.
(b) Ministry of Public Administration and Management Circular No. 30/2016 dated 29 December 2016		Fuel consumption had not been tested for 03 vehicles of the Sabha for more than one year.
(c) Finance circular of Northern Province No. PF/01/2017 of 07 March 2017		Security money had not been paid by 05 officers

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 24,798,273 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 30,645,168.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The following matters were observed.

- (a) Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	-					--	-	--
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	60,000	-	79,087	958,126	60,000	-	79,087	919,487
(ii) Rentals	5,510,000	-	5,752,538	121,709	6,040,000	-	4,412,936	117,309
(iii) License Fees	1,440,000	-	1,119,254	-	1,170,000	-	1,264,442	-
(iv) Other Revenue	27,275,000	-	26,517,276		18,775,000	-	31,888,629	-
	34,285,000	-	33,468,155	1,079,835	26,045,000	-	37,645,094	1,036,796

- (b) It was observed that schedules had not been issued by the Sabha in collecting rates and taxes and arrears had been accumulated based on differences between estimated revenue and collected revenue.

2.2.2 Rates and Taxes

Rates

No meaningful actions had been taken by the Sabha to recover rates amounting to Rs. 958,126 for the last 01 year to 23 years.

2.2.3 Rentals

Lease on Trade Ownership

No meaningful actions had been taken by the Sabha in respect of arrears of leases and fines totalling Rs. 105,740 for the last 03 years to 09 years.

2.2.4 License Fees

The following matters were observed.

(a) Trade Licenses

Details of trade license fees due had not been entered in the register. But, trade license fees had been accounted as revenue when they had only been collected, thus receivable amount of trade license fees had not been accounted and brought to the financial statements.

(b) Professional Licenses

No meaningful actions had been taken by the Sabha to recover license fees and construction fees in respect of dialog telecommunication towers constructed in the areas of Vettilaikerny and Nagar Kovil South under the purview of the Sabha.

2.2.5 Court Fines and Stamp Fees

Court fines of Rs. 2,187,199 and stamp fees of Rs. 5,487,758 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Performance

The following matters were observed.

(a) Delays in Performance of Functions

It was observed that the construction works of the head office building of the Sabha handed over to a contractor at a contract cost of Rs. 9,202,900 in the previous year to be completed on 07 May 2018 had not been completed up to now. However, extension of period had been given in three times and a sum of Rs. 3,139,701 had been paid to the contractor.

(b) Solid Waste Management

The following matters were observed.

- (i) Solid wastes had been dumped and burnt contrary to the national policies.

- (ii) No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the disposing areas of solid wastes.

3.2 Human Resources Management

The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 13 human resources had been delayed.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) No meaningful actions had been taken by the Sabha to carry out revaluation of properties for the last 47 years.

- (b) The Sabha had failed to rent out 03 market stalls situated within the authority area of the Sabha.
- (c) No meaningful actions had been taken by the Sabha to recover cemetery tax for 34 cemeteries.

3.4 Assets Management

3.4.1 Failure to carry out Maintenance and Repairing

The following matters were observed.

- (a) Nine vehicles had remained idle in damaged condition at the vehicle park from previous years.
- (b) Meter reading of three vehicles had been in damaged condition, thus fuel usage per kilometer could not be found out.

3.4.2 Failure to hand over Assets

Eleven vehicles such as tractor, drinking water stand, two-wheel tractor, etc. being used by the Sabha had not been owned by the Sabha.

3.5 Identified Loss

A contract had been made for a sum of Rs. 18,300,000 on 24 April 2013 to build a market building at Manthigai. However, such contract had been terminated due to the technical difficulties. As such, an arbitration case had been filed by the contractor and sum of Rs. 9,440,264 had been paid by the Sabha to the contractor. It was observed that, the work had been completed for only Rs. 5,976,572 out of that and a sum of Rs. 1,997,588 except material amount of Rs. 1,315,512 for continuous work had been incurred as loss to the Sabha.

4. Accountability and Good Governance

Budgetary Control

Variances ranging from Rs. 19,087 to Rs. 6,813,704 or from 32 per cent to 18 per cent between the budgeted revenue and actual revenue and from Rs. 66,306 to Rs. 7,113,195 or 41 per cent to 72 per cent between the budgeted expenditure and actual expenditure were observed.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

Systems	Deficiencies
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Accounting	Failure to maintain register of measurement sheets and register of tax on land sales.

