

Point Pedro Pradeshiya Sabha.

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 20 April 2011 and the financial statements of the preceding year had been presented for audit on 25 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 Pradeshiya Sabha 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 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 Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and has flow 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 revenue, expenditure and assets under the value of instances and values are given in the following table.

Effect on the financial Statements

	<u>Revenue</u>		<u>Expenditure</u>		<u>Assets</u>	
	<u>Number of Instances</u>	<u>Value of Rs.</u>	<u>Number of Instances</u>	<u>Value of Rs.</u>	<u>Number of Instances</u>	<u>Value of Rs.</u>
Overstatements in the Account	01	2,579	03	116,013	-	-
Classification Erroneous in the Account	-	-	-	-	01	13,700

1.3.3 Accounts Payable

The value of balances of accounts payable older than 01 year as at 31 December 2010 amounted to Rs.5,426,108.

1.3.4 Non- rendition of Information for Audit

Transactions valued at Rs. 2,377,723 could not be satisfactorily vouched in audit due to the unavailability of information required for audit.

1.3.5 Non-compliance

Non-compliance the provisions in the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions

(a) Pradeshiya Sabha Act. No15 of 1987

Section 24

Non-compliance

Although expenditure on religious and common works exceeding of Rs.1,000 per year require the prior approval of the Minister in charge of the subject a sum of Rs.4,895 had been spent on refreshments without obtaining such approval.

(b) Pradeshiya Sabha(financial and Administrative) Rules-1988

(i) Rule 5 Security had not been obtained from certain officers who handle cash and stores of the Sabha.

(ii) Rule 140 Action had not been taken by the Secretary to recover advances amounting to Rs.911,036 .

(c) No. PT/01/2009 dated 20 January 2009 of Northern Provincial Treasury Circular Board of Survey allowance Rs.2,100 had been paid to Board of Survey members contrary to circular.

2 Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the excess revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.20,017,873 as compared with the excess of revenue over the recurrent expenditure for the preceding year amounting to Rs.4,737,482.

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 Secretary is given below.

Item of Revenue	<u>2010</u>			<u>2009</u>		
	Estimated	Actual	Accumulated arrears as at 31December	Estimated	Actual	Accumulated arrears as at 31December
	Rs	Rs	Rs	Rs	Rs	Rs
	000	000	000	000	000	000
Rates and Taxes	1,580	74	587	50	54	533
Lease Rent	1,010	1,477	215	980	1,054	235
License Fees	153	197	-	1,650	110	-
Other Revenue	22,182	29,465	10	19,061	1,557	12

2.2.2 Courts Fines

Action had not been taken to recover courts fines amounting to Rs.4,399,409 collected up to 31 December 2010 by Point Pedro Magistrate's Court under various Ordinances and remitted to Chief Secretary.

2.2.3 Stamp Fees

Stamp fees receivable in terms of Section 129(2)(b) of the Pradeshiya Sabha Act, No.15 of 1987 had not been received by the Sabha. The schedule of stamp fees had also not been presented to Sabha by the Registrar General.

2.3 Expenditure Structure

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

Item of Expenditure	<u>2010</u>			<u>2009</u>		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	-----	-----	-----	-----	-----	-----
	<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>
<u>Recurrent Expenditure</u>						
Personal Emoluments	15,550	9,049	6,501	15,800	8,944	6,856
Other	4,206	2,146	2,060	4,755	2,593	2,162
Sub-total	19,756	11,195	8,561	20,555	11,537	9,018
Capital Expenditure	7,669	10,740	(3,071)	3,056	2,012	1,044
Grand Total	27,425	21,935	5,490	23,611	13,549	10,062

2.4 Arrears of Revenue

Action had not been taken in terms of Pradeshiya Sabha Act, No. 15 of 1987 and Pradeshiya Sabha (Financial and Administrative) Rules of 1988 to recover the taxes, rent and other revenue of Rs.812,000 in respect of the year under review and previous years as at 31 December 2010.

2.5 Human Resource management

2.5.1 Approved and Actual Cadre

Particulars of the approved and 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 Grade	02	02
Secondary Grade	13	13
Primary Grade	23	19
Others	-	15
Total	38	49

2.6 Assets Management

2.6.1 Account Receivable

The balances of account receivables as at 31 December 2010 amounted to Rs.911,035 while balances of accounts older than 1 year amounted to Rs.11,150.

2.6.2 Staff Loans Recoverable

Staff Loans balances recoverable as at 31 December 2010 totaled Rs.2,144,063 while balances of accounts remaining outstanding over a period exceeding 01 year amounted to Rs 141,150

2.7 Operating Inefficiencies.

Employees' Provident Fund and Employees' Trust Fund contribution amounting to Rs.345,666 had not been remitted to the Funds.

2.8 Contract Administration

Long delays in the implementation of following project were observed.

<u>Project</u>	<u>Estimated Cost</u> Rs.	<u>Date of Commencement</u>	<u>Targeted Date of Completion</u>	<u>Expenditure incurred up to 31 December 2010</u>	<u>Reason for the Delay</u>
Construction of Veerakathi pillaiyar Kovil Veethi	985,219	09.09.2010	31.12.2010	Nil	Delay in procurement procedure.
Head office building work	434,113	03.12.2010	31.12.2010	Nil	Delay in procurement procedure.

2.9 Completely Abandoned Projects

The following projects had been completely abandoned.

<u>Project</u>	<u>Estimated Cost</u> Rs.	<u>Date of Commencement</u>	<u>Expenditure incurred up to 31 December 2010</u>	<u>Reasons for Abandonment</u>
Construction of public toilet work	238,617	2010.10.05	-	Materials had not been received.

2.10 Internal Audit

Adequate internal audit of the Sabha had not been carried out.

3. System and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Motor Vehicles Utilization
- (e) Budgetary Control