

Chavakachcheri Urban Council

Jaffna District

1 Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been presented for audit on 19 April 2011 and the financial statements of the preceding year had been presented for audit on 29 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 Chavakachcheri Urban Council 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 give a true and fair view of the state of affairs of the Chavakachcheri Urban Council as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on 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 Accounts Payable

Value of balances of accounts payable older than 1 year as at 31 December 2010 amounted to Rs. 291,644.

1.3.3 Lack of Evidence for Audit.

Non- submission of Information for Audit

Transactions valued at Rs. 88,000 could not be satisfactorily verified in audit due to non- submission of information for audit.

1.3.4 **Non-compliances**

Non-compliance with 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.

Non-compliance

Urban Council Ordinance.

Section 76

The Council had not taken action on unauthorized buildings constructed in area of authority of the Urban Council.

Year	Number of unauthorized Buildings constructed
-----	-----
2008	18
2009	35
2010	27

Section 159(G)

Even though the Urban Council is authorized to spend Rs.2,500 for the purpose of cultural, religious and any other social activities, the Council had paid a sum of Rs.12,839 for entertainment expenses and pre-school activities.

Section 170(i)

Action had not taken to recover the arrears of trade license fees amounting to Rs.60,000.

2 Financial and Operating Review

2.1 Financial Result

According to the financial statements presented the excess of revenue over the recurrent expenditure of the counted for the year ended 31 December 2010 amounted to Rs.10,552,010 as compared with the excess of revenue over the recurrent expenditure for the preceding year amounting to Rs.8,654,208.

2.2 Revenue Administration

2.2.1 Estimate Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, actual revenue and arrears of revenue for the year under review and the preceding as presented by the Chairman is given bellow.

Item of Revenue	Estimated	2010		Estimated	2009	
		Actual	Accumulated Arrears as at 31 December		Actual	Accumulated Arrears as at 31 December
.....	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Rate and Taxes	1,181	916	5,459	1,131	903	5,644
Lease Rent	7,501	6,261	-	6,961	4,729	-
License Fees	549	458	-	349	130	-
Other Revenue	45,466	28,812	4,741	8,109	29,497	2,088

2.2.2 Courts Fines

Action had not been taken to recover Courts fines recoverable by the Council for the year 2010.

2.2.3 Stamp Fees

Stamp fees receivable from the Register General as at 31 December 2010 amounted to Rs.2,671,845.

2.2.4 Income Receivable

A sum of Rs. 10,199,846 was recoverable to Council Fund as assessment tax, rent, licenses fees and other revenue in respect of previous periods and as at 31 December 2010

2.3 Expenditure Structure

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

Item of Expenditure	Budgeted	2010		Budgeted	2009	
		Actual	Variance		Actual	Variance
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Recurrent Expenditure -----						
Personal Emoluments	35,364	21,210	14,154	31,842	23,448	8,394
Others	7,975	4,685	3,290	6,476	3,157	3,319
	-----	-----	-----	-----	-----	-----
Sub- Total	43,339	25,895	17,444	38,318	26,605	11,713
Capital Expenditure	79,194	19,380	59,814	77,305	12,624	64,681
	-----	-----	-----	-----	-----	-----
Grand Total	122,533	45,275	77,258	115,623	39,229	76,394
	-----	-----	-----	-----	-----	-----

2.4 Human Recourses Management

2.4.1 Approved and Actual Cadre

Particulars of the approved and actual cadre of the Council as at 31 December 2010 are given below.

<u>Category of Posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	03	01
Secondary Grade	35	29
Primary Grade	84	45
Other (Casual/Temporary)	-	16
Total	122	91
	-----	-----

2.5 Assets Management

2.5.1 Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs. 10,289,523 while balances of accounts older than 01 year amounted to Rs. 9,442,873

2.5.2 **Staff Loans Recoverable**

Staff Loans and advances recoverable as at 31 December 2010 totalled Rs 3,633,905 while balances of accounts older than 01 year amounted to Rs. 121,928

2.5.3 **Non -moving Current Assets**

The value of non-moving current assets older than 01 year as at 31 December 2010 amounted to Rs. 241,156.

2.5.4 **Assets Not Surveyed**

The value of assets not-supported by Board of Survey Reports and computed at the book values as at 31 December 2010 amounted to Rs.268,784,706.

2.5.5 **Identified Damage and losses**

Damage and losses valued at Rs. 13,653 were revealed at audit test checks and according to the information maintained by the Council.

2.6 **Irregular Transaction**

The following observation are made.

- a) The following grants were received by Council from Commissioner of Local Government during the year under review. Those were not used for the intended purposes.

<u>Type of Grant</u>	<u>Amount</u>	<u>Details of Misuse of Grant</u>
	<u>Rs</u>	
Maternity and Child Grant	30,000	Furniture purchased for office purposes
Conservancy Grant	29,804	Building repairs

- b) A sum of Rs.10,950 had been spent from the Council Fund for the purchase of mattress and pillows for the officers of the Department of Valuation.

2.7 **Operating Inefficiencies**

The following observations are made.

- (a) An advance of Rs. 3,496,878 paid to Ceylon Electricity Board for new connection of 450 street lamps in years 2009, 2010 had not been settled

even up to end of the year under review even though the work had been completed.

An agreement had not been entered into with the Ceylon Electricity Board during 2010 for reimbursement of the expenditure on the maintenance of street lamps. As such the sum of Rs. 5,600 receivable as expenditure on maintenance of street lamps had not been reimbursed.

- (b) A sum of Rs. 427,087 had been spent for construction of Bus shelters. These building had not been designed and constructed in a manner to provide protection from weather conditions.
- (c) Permit had not been obtained for slaughter house maintained by the Council in terms of National Environmental Act No. 47 of 1980 and Gazette Notification No. 1159/22 dated 22 November 2000. Details of the number of cattle slaughtered had not been registered as required in terms of Section 10 of Butchers Ordinance.

2.7 **Performance**

Council had not prepared an Annual Action Plan at the beginning of the year of accounts. Therefore the expected objectives to be achieved and the progress thereon could not be ascertained.

2.8 **Internal Audit**

An adequate internal audit of the council had not been carried out.

3 **Systems and Controls**

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

- a. Revenue Administration
- b. Budgetary Control
- c. Motor Vehicles Utilization
- d. Grants.