

Chavakachcheri 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 12 April 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 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 Chavakachcheri Pradeshiya Sabha as at 31 December 2010 and the financial results of its operations and cash flow 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 Accounting Deficiencies

The accounting deficiencies observed in the accounts in terms of expenditure, assets and liabilities under the number of instances and values are given in the following table.

	<u>Effect on the financial Statements</u>					
	<u>Expenditure</u>		<u>Assets</u>		<u>Liabilities</u>	
	<u>Number of Instances</u>	<u>Value Rs.</u>	<u>Number of Instances</u>	<u>Value Rs.</u>	<u>Number of Instances</u>	<u>Value Rs.</u>
Overstatements in the account	-	-	01	42,682	01	1,412,644
Classification Errors	01	298,784	-	-	-	-

1.3.3 Accounts Payable

The value of balances of accounts payable older than 1 year as at 31 December 2010 amounted to Rs.660,496.

1.3.4 Lack of Evidence for Audit.

Non- submission of Information for Audit

Transactions valued at Rs 881,699 could not be satisfactorily vouched in audit due to unavailability of information for audit.

1.3.5 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions

(a) Pradeshiya Sabha Act No. 15 of 1987

Section 132

Non-compliance

Although expenditure on religions and common works in excess of Rs.1,000 per year requires prior approval of the Minister in charge of the subject should be obtained a sum of Rs.5,615 had been spent for refreshments without obtaining such approval.

(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988

Rule 140

Action had not been taken by the Secretary to recover advance amounting to Rs. 135,714.

(c) Financial Regulations

No. 571

Action had not been taken on lapse deposit amounting to Rs.1,448,473 which had been lapsed.

(d) Procurement Guidelines 2006

Procurement procedure had not been followed in respect of procurement of goods and equipments valued Rs. 876,390.

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 Sabha for the year ended 31 December 2010 amounted to Rs.9,713,173 as compared with the excess revenue over recurrent expenditure for the preceding year amounting to Rs.3,391,586

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 as presented by the Chairman is given bellow

Item of Revenue	Estimated	<u>2010</u>	Accumulated Arrears as at 31 December	Estimated	<u>2009</u>	Accumulated Arrears as at 31 December
		Actual			Actual	
.....
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Rate and Taxes	130	24	1,443	117	3,376	1,682
Lease Rent	5,058	6,174	65	4,358	47	73
License Fees	195	1,331	15	195	234	6
Other Revenue	28,615	23,660	-	30,094	19,597	4

2.2.2 Courts Fines

Action had not been taken to compute and recover Courts fines receivable by the Sabha for the year 2010.

2.2.3 Stamp Fees

Action had not been taken to compute and recover the stamp fees recoverable from 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	Budgeted	<u>2010</u>	Variance	Budgeted	<u>2009</u>	Variance
		Actual			Actual	
.....
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<u>Recurrent Expenditure</u>						
Personal Emoluments	23,950	17,368	6,582	23,250	16,098	7,152
Other	59,181	4,108	55,073	17,261	3,764	13,497
Sub-total	83,131	21,476	61,655	40,511	19,862	20,649
Capital Expenditure	23,500	2,362	21,138	7,350	2,943	4,407
Grand Total	106,631	23,838	82,793	47,861	22,805	25,056

2.4 Human Resource Management

Approved and Actual Cadre

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

<u>Category of posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	04	03
Secondary Grade	20	21
Primary Grade	48	45
Others	-----	-----19-----
Total	72	88
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2.5 Assets Management.

2.5.1 Accounts Receivable.

The balances of accounts receivable as at 31 December 2010 amounted to Rs.4,484,172 while balances of accounts older than 01 year amounted to Rs.1,667,502.

2.5.2 Staff Loans Recoverable

Staff Loan balances recoverable as at 31 December 2010 totalled Rs.2,982,390 while balance remaining outstanding for over a period exceeding 01 year amounted to Rs.8,320.

2.5.3 Non-moving Current Assets.

The balances of non-moving current assets remaining over a period of 01 year as at 31 December 2010 amounted to Rs.99,446.

2.5.4 Assets not Surveyed

The value of assets Not supported by Board of Survey report and computed at book values as at 31 December 2010 amounted to Rs.13,645,432

2.6 Operating Inefficiencies

Provision of Rs.1,665,744 received under the Provincial Council Specific Development Grants had been treated as capital expenditure without awarding the paid for the particular work.

2.7 Performance.

Sabha had not prepared an Annual Action Plan at the beginning of the year. Therefore, the expected objectives to achieve and the progress thereon could not be ascertained.

2.8 Internal Audit

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

3 Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Contract Administration
- (d) Budgetary Control
- (e) Human Resources
- (f) Assets Management
- (g) Motor Vehicle Utilization