

Karainagar 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 07 April 2011 and the financial statements for the previous year had been presented for audit on 30 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 Karainagar 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 a true and fair view of the state of affairs of the Karainagar Pradeshiya Sabha as at 31 December 2010 and the financial results of its operation and cash flows 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 audit in terms of revenue, expenditure, assets and liabilities, under the number of instances and values are given in the following table.

	<u>Revenue</u>		<u>Expenditure</u>		<u>Assets</u>		<u>Liabilities</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
	<u>of</u>	<u>Rs.</u>	<u>of</u>	<u>Rs.</u>	<u>of</u>	<u>Rs.</u>	<u>of</u>	<u>Rs.</u>
	<u>Instances</u>		<u>Instances</u>		<u>Instances</u>		<u>Instances</u>	
Overstatements in the Accounts	-		01	4,406,253	-		01	654,048
Understatements in the Accounts	01	700	-		01	407	-	

1.3.3 Accounts Payable

Value of balances of accounts payable older than 1 year as at 31 December 2010 amounted to Rs. 2,630,336

1.3.4 Lack of Evidence for Audit

Non-submission of Information for Audit

Transactions valued at Rs.5,893,244 could not be satisfactorily vouched in audit due to the unavailability of information required for audit.

1.3.5 Non-compliances

Non-compliances with the provision in the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules and Regulations and Management Decisions

Non-compliance

(a) Pradeshiya Sabha Act No.15 of

1987

Section 150 (A)

The Secretary had not taken action to recover the arrears of tax due a monthly to Rs.426,356

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

Rule 81

Applications had not been made at the end of each quarter to the Registrar General for the refund of stamp duties in respect of land transactions in the area of authority of the Sabha.

2. **Financial and Operation Review**

2.1 **Financial Results**

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.4,697,266 as compared with the corresponding excess of revenue over the recurrent expenditure for the preceding year amounting to Rs.2,426,089.

2.2 **Revenue Administration**

2.2.1 **Estimated 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 year as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	000	000	000	000	000	000
Rates and Taxes	1,450	1,247	228	-	60	228
Lease Rent	387	345	-	365	267	-
License Fees	131	127	-	121	110	-
Other Revenue	11,866	9,287	557	10,043	7,977	1,685

2.2.2 Courts Fines

Action had not been taken to recover Courts fines amounting to Rs. 349,950 collected under various Ordinance of Revenue up to 31 December 2010 by Karainagar Magistrate's Court and remitted to the Chief Secretary.

2.2.3 Stamp Fees

Stamp fees recoverable for the year 2010 had not been computed and brought to account.

2.2.4 Revenue Debtors.

Action in terms of provisions of the Pradeshiya Sabha Act No.15 of 1987 had not been taken to recover the revenue on tax and trade stall rents aggregating Rs.785,000 receivable by the Sabha as at 31 December 2010.

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.

<u>Item of Expenditure</u>	<u>Budgeted</u>	<u>2010</u> <u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2009</u> <u>Actual</u>	<u>Variance</u>
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<u>Recurrent Expenditure</u>						
Personal Emoluments	8,725	4,937	3,788	6,887	4,879	2,008
Other	2,257	1,372	885	1,860	1,109	751
Sub- total	10,982	6,309	4,673	8,747	5,988	2,759
Capital Expenditure	15,620	6,525	9,095	14,781	4,892	9,889
Grand Total	26,602	12,834	13,768	23,528	10,880	12,648

2.4 Human Resources Management

2.4.1 Approved and Actual Cadre

Particulars of the approved and the 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	01	-
Secondary Grade	09	10
Primary Grade	16	09
Others	-	05
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	26	24
	=====	=====

2.5 Assets Management

2.5.1 Idle and Underutilized Physical Resources.

Particulars of idle and underutilized physical resources revealed at audit test checks are given below.

<u>Assets</u>	<u>Number</u>	<u>Value</u> <u>Rs.</u>
(a) Computers	02	59,700
(b) Water Pumps	02	30,000
(c) Tractor with Water Bowser	<u>01</u>	<u>170,000</u>
	<u>05</u>	<u>259,700</u>

2.5.2 Account Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs.784,933 while balances of accounts older than 01 year amounted to Rs.435,483.

2.5.3 Staff Loans Recoverable

Staff loan balances recoverable as at 31 December 2010 totalled Rs.1,522,539 while balance remaining outstanding for over a period of 01 year amounted to Rs.37,400

2.5.4 **Non-moving Current Assets**

The value of non-moving current assets remaining over a period exceeding 01 year as at 31 December 2010 amounted to Rs.396,829.

2.5.5 **Assets Not-Surveyed**

The value of assets not supported by Board of Survey Reports and computed on book balances as at 31 December 2010 amounted to Rs.16,479,224.

2.6 **Transaction not Supported by Adequate Authority.**

An allowance amounting to Rs.13,000 had been paid to the Board of Survey members contrary to the Northern Provincial Treasury Circular No.PT/01/2009 dated 28 January 2009.

2.7 **Operating Inefficiencies.**

Two trade stall at Kasoorinar Beach given to Sabha by the Northern Provincial Council had not been used for intended purpose up to June 2011.

2.8 **Performance.**

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

2.9 **Internal Audit**

An adequate internal audit had not been carried out in the institution.

3 **Systems and controls**

Special attention is drawn to the following arrears of system and controls.

- a. Budgetary Control
- b. Accounting
- c. Revenue Administration
- d. Human Resources
- e. Assets Management
- f. Motor Vehicle Utilization