

Chavakachcheri Pradeshiya Sabha

Jaffna District

1.0 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 22 March 2013 and the financial statements for the preceding year had been presented on 10 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 02 September 2013.

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 2012 and except for the effects on the financial statements of the matters referred to in my 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 Chavakachcheri Pradeshiya Sabha as at 31 December 2012 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 Deficiencies

- (a) The accounting deficiencies observed in the financial statements in respect of assets, revenue, expenditure and liabilities are shown in the following table.

Effect on the Financial Statements	Assets		Revenue		Expenditure		Liabilities	
	No of Instances	Value	No of Instances	Value	No of Instances	Value	No of Instances	Value
		Rs.		Rs.		Rs.		Rs.
Understatements	-	-	-	-	-	-	01	311,154
Over statements	01	49,031	02	1,206,464	01	63,425	-	-
Erroneous Classifications	01	349,720			01	4,200	-	-

(b) Buildings belong to the Sabha had not been valued and disclosed in the financial statements.

1.3.2. Lack of Evidence for Audit

Transactions totalling Rs. 15,831,108 could not be satisfactorily vouched in audit due to the non- rendition of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.3,139,405 against the corresponding excess of revenue over recurrent expenditure amounting to Rs.6,265,204 for the preceding year.

2.2 Financial Control

Budget estimates had not been properly prepared. As a result a difference of Rs.5,096,126 were observed between the budgeted revenue and the actual revenue and a difference of Rs.10,958,921 between the budgeted expenditure and the actual expenditure were observed in audit.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

As per information presented by the Chairman estimated revenue, actual revenue and the arrears of revenue for year under review are given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs. 000	Rs. 000	Rs. 000
Rates and Taxes	120	74	1,013
Lease Rent	9,005	9,672	75
Licence Fees	1,405	1,644	18
Other Revenue	34,054	28,098	-

2.3.2 Arrears of Revenue

Arrears on Assessment tax, acre tax, rates, rent and lease amounting to Rs.1,105,559 to be recoverable during the year under review had not been recovered up to 31 December 2012.

2.3.3 Decline on Revenue Collection

- Revaluation of the assets for recovering assessment tax had not been done over 18 years. Further, revenue had been declined due to non-completion of revaluation of assessment tax on Sarasalai, Kachchai, Varani and Mirusuvil sub offices.
- Change of names of the properties over 18 years had been done by the Chairman at his discretion without obtaining approval from the Department of Valuation.
- Proper recovery procedure had not been followed when the rates income computed.

2.3.4 Loss of Revenue

Even though supply of electricity had been handed over to the Ceylon Electricity Board since 1999, a sum of Rs. 502,922 due from the Commissioner of Local Government on maintenance of street lamps within the area of the Sabha had not been reimbursed. As a result Sabha had incurred a loss.

2.3.5 Court Fines

Courts fines imposed under various ordinances amounting to Rs. 249,133 receivable from the Magistrate Courts during the year under review had not been received up to the date of this report, but billed as revenue and receivables.

2.3.6 Stamp Fees

Even though estimated revenue Rs.2,500,000 had been shown in the budget for the year under review, no action had been taken to obtain details of stamp fees recoveries from the Register General of Lands.

2.4 Assets Management

2.4.1 Staff Loans Recoverable

Although staff loan balances amounting to Rs.10,819 due from officers resigned and vacated their posts remained for over five years, no action had been taken to recover the amount from the sureties.

2.5. Non-compliances with Laws, Rules and Regulations etc.

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

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliances

**(a) Pradeshiya Sabha (Financial and
Administrative) Rules of 1988.**

(i.) Section 66 Chapter III

The Secretary had not taken action to recover the arrears of tax in terms of Section 150(4) of Pradeshiya Sabha act No. 15 of 1987.

(ii.) Sub section 151 of Section 02 of
Chapter VIII

All the money collected should be deposited and credited to the Pradeshiya Sabha fund. Nevertheless. The daily collections

amounting to Rs.29,155 had not been recorded in the collecting register. Daily collection from 03 December 2012 to 05 December 2012 had not been recorded in the collection register up to 7th December 2012.

- (b) Circular No.2/2006 dated 07 March 2006 of Secretary of the Finance Commission. Even though maximum amount Rs.12,500 could be spent for a plaque, the Sabha had spent Rs.15,000 for making a plaque.
- (c) Section 132(h) of Pradeshiya Sabha Act No.15 of 1987 Although prior approval for the expenditure over Rs.1,000 for entertainment should be obtained a sum of Rs.48,588 had been spent by the Sabha for entertainment without being obtaining prior approval.
- (b) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**
F.R. 571 Action had not been taken in terms of the Financial Regulation in respect of deposits amounting to Rs. 557,352 for over five years.

2.6 **Uneconomic Expenses**

An expenditure of Rs.92,710 had been incurred from the Sabha funds for making a plaque and to erect a name board, and this is considered as an uneconomic utilization of Sabha funds.

2.7 **Delays in Implementation of Projects**

Following observations are made.

- (a) Capital works of the Sabha had been commenced at the end of the year instead of beginning of the year and as such several capital works had not been completed during the financial year. Details are given below.

Details of the Project	Estimated Cost Rs.	Date of Agreement	Scheduled Date completion	Reasons for non-completion
Repair of Kanthi Community Center	100,000	01.12.2012	31.12.2012	Bad Weather
Repair of Murugan Kovil Road	60,000	01.11.2012	01.01.2013	Bad Weather
Kaithady Children's park fence	250,000	27.08.2012	27.10.2012	Bad Weather
Repair of Odduweli Road	200,000	20.12.2012	31.12.2012	Bad Weather
Kolani Common Well	50,000	20.12.2012	20.02.2013	Bad Weather

(b) The Sabha had completed two capital works valued at Rs.100,000 from the Sabha funds during the year under review without approval given in the budget.

(c) Project for the construction of toilets at Kodikamam market to the value of Rs.1,500,000 had been approved by the budget. However, the project had been abandoned without considering the needs of the people living in this area. However revenue collection of Rs.8,240,000 had been invested in fixed deposits at the National Savings Bank for earning interest without considering the completion of the project.

2.8 Operating Inefficiencies

Donations of Rs.1,158,151 received during the period 2006-2012 from the Commissioner of Local Government for the construction of toilets and operational development had not been utilized for the intended purposes, but kept in the deposits account.

2.9 Solid Waste Management

A sum of Rs.200,000 received for solid waste management project had been kept in the sundry creditors account without implementing the project. Hence, Sabha had failed to provide facilities to the people live in the area in terms of Section 3 of the Pradeshiya Sabha Act No.15 of 1987.

2.10 Internal Audit

An adequate internal audit had not been carried out by the Subha.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (i). Collection of Revenue.
- (ii). Fixed Assets
- (iii). Accounting
- (iv). Donations
- (v). Human Resources.
- (vi). Utilization of Vehicles.
- (vii). Miscellaneous Deposits
- (viii). Budgetary Control.