

## Chavakachcheri Urban Council

### Jaffna District

#### 1. Financial Statements

##### 1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 22 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 December 2014.

##### 1.2 Opinion

In my opinion, 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 Chavakachcheri Urban Council as at 31 December 2013 and the financial result of its operations and cash flow 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 are shown in the following table as revenue and liabilities.

Effect on Financial Statements	Revenue		Liabilities	
	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.
Understatement	-		01	16,500
Overstatement	01	90,188	-	
Omission	-		01	986,856

- (b) The value of 8 motor vehicles obtained as gift had not been assessed and brought to account. As such, the value of fixed assets had been understated in the accounts.

### **1.3.2 Unutilized Reserves**

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General reserves amounting to Rs.1,437,046 continued to be shown in the final accounts of the Sabha for over 5 years.

### **1.3.3 Unreconciled Control Accounts**

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Three items of accounts amounting to Rs.33,034,723 as per main ledger had been shown as Rs.33,284,043 in the subsidiary registers resulting in a difference of Rs.249,320.

### **1.3.4 Lack of Evidence for Audit**

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#### **Non rendition of Information for Audit**

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Transactions amounting to Rs.30,787,181 could not be vouched in audit due to lack of necessary evidence for audit.

## **2. Financial and Operating Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.26,330,132 as compared with the revenue exceeding the recurrent expenditure for the previous year amounting to Rs.18,043,728.

### **2.2 Financial Control**

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The budget had not been properly prepared. As such, it was observed in audit that there was a difference of Rs.22,935,835 between the budgeted and actual revenue and a difference of Rs.13,052,150 between the budgeted and actual expenditure.

## 2.3 Revenue Administration

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### 2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

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The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
(i) Rates and Taxes	1,351	6,397	7,812
(ii) Lease Rent	16,651	17,807	-
(iii) Licence Fees	4,245	3,917	-
(iv) Other Revenue	56,658	27,847	32,408

### 2.3.2 Revenue Management

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Rates and taxes for the year under review and the previous years amounting to Rs.7,811,563 had not been recovered and legal or any other effective action had not been taken to recover it.

### 2.3.3 Court Fines

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Fines due from the Chavakachcheri Magistrate's Court for the year under review amounting to Rs.1,235,349 had not been accounted for, as revenue or receivable.

### 2.3.4 Stamp Fees

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- (a) Effective action had not been taken to recover the stamp fees of Rs.31,073,207 due for the years 2006, 2007, 2010, 2011 and 2012 which had been accounted for as revenue and receivables.
- (b) The list of stamp fees of Rs.10,734,600 had been obtained from the Land Registry for the year under review. But, this had not been accounted for, as revenue or receivables.

## **2.4 Recovery of Employees' Loans**

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Legal or any other effective action had not been taken by Sabha for over 5 years to recover the arrears of employees' loans amounting to Rs.121,946 due from deceased/suspended officers from the gratuity or from sureties.

## **2.5 Annual Board of Survey Report**

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The board of survey report for the year under review showed a surplus of 274 items and a shortage of 67 items.

## **2.6 Assets Management**

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### **Vehicle Utilization**

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- (a) Four vehicles of the Sabha remained idle during the year under review.
- (b) The HIACE vehicle bearing No.NPGK0761 had met with an accident during the year under review and a sum of Rs.284,033 had been spent to repair it. However, the details of accident had not been intimated to audit.

## **2.7 Projects not Executed**

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Nineteen capital projects valued at Rs.1,928,850 had been approved in the budget for the year under review. These had not been executed and included in the Sundry Debtors Account.

## **2.8 Waste Material Management**

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During the year under review, a waste material management centre costing Rs.3,522,684 had been established under the Pilisaru project together with the usage of funds of the Sabha. But, the waste materials continued to be burnt and a procedure to collect it by setting boundaries had not been adopted. The waste material management centre remained idle filled with garbage.

## **2.9 Internal Audit**

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Adequate internal audit had not been carried out and quarterly programmes of internal audit had not been furnished to audit.

## **3. Systems and Controls**

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Special attention is needed in the following areas of control.

- (a) Collection of revenue
- (b) Sundry deposits
- (c) Budget
- (d) Vehicle Utilization
- (e) Accounting