

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 to audit on 28 March 2014 and the financial statements for the preceding year had been presented on 22 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 22 September 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 Pradeshiya Sabha 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

(i) The accounting deficiencies observed in the financial statements are shown in the following table as assets and liabilities.

Effect on Financial Statements	Assets		Liabilities	
	No. of Instance	Value	No. of Instances	Value
		Rs.		Rs.
Understatement	01	261,790	-	-
Overstatements	-	-	05	662,968

- (ii) The ploughing machine bearing No.WPRD 4359 donated to the Sabha had not been valued and included in the accounts resulting in an understatement of value of vehicles.
- (iii) The Kodikamam Multipurpose Building and its land had not been valued and included in the accounts resulting in an understatement of value of land and buildings.

1.3.2 Non-compliance

 The following instances of non compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations

Non-compliance

 1989 Pradeshiya Sabha (Finance
 and Administration) Rules
 Chapter II
 Section 66

 The Secretary of the Sabha had not taken
 action to recover arrears of revenue
 amounting to Rs.982,508.

Financial Regulation of the
 Democratic Socialist Republic of
 Sri Lanka

 No. 571

Action had not been taken with regard to
 deposits of Rs.1,608,925 exceeding 2 years.

Pradeshiya Sabha Act No.15 of
 1987
 Section 152(h)

Prior approval of the ministry is required for
 entertainment expenditure exceeding
 Rs.1,000. However, a sum of Rs.36,880 had
 been paid from the funds of the Sabha
 without such approval.

1.3.3 Lack of Evidence for Audit

Two transactions valued at Rs.13,368,554 could not be vouched in audit due to non-
rendition of necessary information.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent
expenditure of the Sabha for the year under review was Rs.3,451,144 as against the
recurrent expenditure exceeding the revenue of the preceding year amounting to
Rs.3,139,405.

2.2 Financial Control

It was observed in audit that there was a difference of Rs.4,145,144 between the budgeted
and actual revenue and a difference of Rs.5,435,340 between the budgeted and actual
expenditure due to lack of proper preparation of budget.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	110	142	908
(ii) Lease Rent	10,462	10,724	66
(iii) Licence Fees	2,117	2,378	6
(iv) Other Revenue	35,163	38,752	2

2.3.2 Assets Management

(i) Legal or any other effective action had not been taken to recover arrears of
revenue amounting to Rs.90,823,422.

- (ii) Revaluation of assets had not been carried out within the area of the Sabha for over 10 years and as such the revenue from rates and taxes had decreased.

2.3.3 Court Fines

The list of court fines showing the sum of Rs.6,424,300 due for the years 2012 and 2013 had been obtained. But, this had not been shown as receivable in the financial statements.

2.3.4 Stamp Fees

- (i) The stamp fees due for the years 2006, 2007, 2010, 2011 and 2012 amounting to Rs.43,972,590 had not been shown as revenue or receivables.
- (ii) The list of stamp fees for 2013 had not been received upto the date of this report.

2.3.5 Employees' Loans Recoverable

Employees' loans recoverable from deceased/ interdicted employees amounted to Rs.10,819. Action had not been taken for over 5 years to recover it from sureties.

2.4 Assets Management

2.4.1 Idle Assets

- i. It was observed in audit that 4 vehicles of the Sabha remained idle.
- ii. Capital items valued at Rs.260,890 purchased by the Sabha/ obtained from the World Food Programme remained idle at the stores.

2.5 Board of Survey Reports

A comparison of the board of survey report for the year 2013 with the register of stock revealed surpluses of 16 items and shortages of 10 items.

2.6 Contract Administration

2.6.1 Delay in Execution of Projects

- (i) Thirty seven projects valued at Rs.5,793,020 commenced at end of the year instead of being commenced at the commencement of the year and this amount remained as Sundry Debtors.
- (ii) Two capital work valued at Rs.450,000 had not been executed upto the date of this report, although provision had been made in the Sundry Debtors Account during 2011 and 2012.

2.6.2 Projects Abandoned

Eight capital projects for Rs.1,400,000 allocated in the budget had been abandoned.

2.6.3 Capital Projects not Approved

Four capital Projects valued at Rs.1,750,000 which had not been approved in the budget for the year under review had been executed from, the funds of the Sabha during the year under review.

2.6.4 Operating Inefficiencies

Donations to the Sabha from the Commissioner of Local Government and non governmental organizations amounting to Rs.183,719 had not been utilized for the required purpose and retained in the Miscellaneous Deposit Account. Due to that public had not received the expected benefits.

3. Systems and Controls

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

- (i) Rates and Taxes
- (ii) Valuation of Assets
- (iii) Budget
- (iv) Vehicle Utilization
- (v) Accounting
- (vi) Refundable Deposits