

Delft 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 05 April 2011 and the financial statements of the preceding year had been presented for audit on 19 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 Delft 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 Delft Pradeshiya Sabha as at 31 December 2010 and the financial results of its operations 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 the accounts in terms of revenue, expenditure, assets and liabilities under the number of instances and values are given in the following table.

	<u>Assets</u>		<u>Liabilities</u>		<u>Income</u>		<u>Expenditure</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>	<u>Number of Instances</u>	<u>Value Rs.</u>
Overstatement in the Accounts	-	-	-	-	01	1,200	01	62,762
Understatement in the Accounts	-	-	02	1,431,914	-	-	-	-
Omission in the Accounts	01	25,000	-	-	-	-	-	-

1.3.3 Accounts Payable

The value of balances of accounts payable as at 31 December 2010 amounted to Rs.2,138,392.

1.3.4 Lack of Evidence for Audit

Non-submission of Information for Audit

Transactions valued at Rs.1,011,681 could not be satisfactorily vouched in audit due to 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

[a] Pradeshiya Sabha Financial & Administrative Rules

Section 132(a) of the Pradeshiya Sabha Act No.15 of 1987

Non-compliance

Although Expenditure on religious and common works incurred in excess of Rs.1,000 per year require the prior approval of the Minister in charge of the subject a sum of Rs.9,475 had been spent as expenditure on refreshments without

- getting the approval from the Minister.
- (b) **Inland Revenue Department**
Act No.10 of 2006
Section 153
Withholding Tax of Rs.16,706 had not been recovered and remitted to Commissioner General Inland Revenue.
- (c) **Employees' Trust Fund Act, No.46 of 1980**
Sabha contribution to the Employee Trust Fund amounting to Rs.2,150 had not been remitted by the Sabha.
- (d) **Employees' Provident Fund Act, No.15 of 1958**
Employees' Provident Fund contribution of Rs.8,599 and Employees' Trust Fund contribution of Rs.5,733 had not been remitted in respect of a temporary driver.
- (e) **Financial Rules of Northern Provincial Council**
Chapter VI Section 05 sub-section 237
Action had not been taken on un-presented cheque valued at Rs.540.
- (f) **Establishment Code**
Chapter VIII Section 10
Although holiday payment is limited to one day in a calender month, a sum of Rs.7,790 had been made to the Sabha Secretary as holiday pay for 10 days.
- 2 **Financial and Operating Review**
- 2.1 **Financial Results**
- According to the Financial Statements presented the excess revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.1,069,922 as compared with the excess revenue over the recurrent expenditure for the preceding year amounting to Rs.574,962.
- 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 year as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>Estimate</u> <u>d</u>	<u>2009</u>	
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated</u> <u>Arrears as at</u> <u>31 December</u>		<u>Actual</u>	<u>Accumulated</u> <u>Arrears as at</u> <u>31 December</u>
	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>
Rates and Taxes	170	72	-	176	111	-
Lease Rent	147	171	52	147	93	43
License Fees	26	63	-	28	22	-
Other Revenues	8,375	7,397	-	7,710	5,635	-

2.2.2 Courts Fines

Court Fines collected by the Kayts Magistrate's Courts under Various Ordinances up to 31 December 2010 and remitted to the Provincial commissioner of Revenue had not been received by the Sabha. The schedule of fines for the year under review and the preceding years had not been received by the Sabha.

2.2.3 Stamp Fees

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

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>2010</u>			<u>2009</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>
Recurrent Expenditure						
Personal Emoluments	6,327	5,285	1,042	6,004	4,119	1,885
Others	2,368	1,349	1,019	2,008	1,167	841
Sub-total	8,695	6,634	2,061	8,012	5,286	2,726
Capital Expenditure	10,300	2,905	7,395	5,150	2,833	2,317
Grand Total	<u>18,995</u>	<u>9,539</u>	<u>9,456</u>	<u>13,162</u>	<u>8,119</u>	<u>5,043</u>

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	-	-
Secondary Grade	06	04
Primary Grade	10	10
Others (Casual/Temporary)	-	07
Total	16	21

2.5 **Assets Management**

2.5.1 **Accounts Receivable**

The balances of accounts receivable as at 31 December 2010 amounted to Rs.399,269 while balances of accounts older than 01 year amounted to Rs.199,215.

2.5.2 **Transactions without Authority.**

The Minister's written prior approval had not been obtained in terms of Section 132(a) of Pradeshiya Sabha Act, No. 15 of 1987 for the payment of Pre-school Teachers' salary of Rs.135,000 and NELSIP Project work expenditure of Rs.9,010 from the Sabha Fund.

2.5.3 **Performance**

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

2.6 **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 arrears of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Motor Vehicle Control
- (e) Refundable Deposits