

Chavakachcheri Pradeshiya Sabha
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 30 March 2017 and the financial statements for the preceding year had been submitted to audit on 30 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Chavakachcheri Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies to be adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Stamp fees receivable of Rs. 57,562,303 had not been brought to account, thus accumulated fund had been understated in the accounts.
- (b) Ownership of four motor vehicles had not been transferred to the Sabha. However, value thereon had been brought to account, thus the value of the motor vehicles had been overstated in the accounts by Rs. 9,161,200.
- (c) A sum of Rs. 50,724 payable for pensions and pensionable benefits of the officers of local government service had not been brought to income and expenditure account, thus expenditure had been understated.
- (d) Value of fifteen categories of sixty lands and buildings belonging to the Sabha had not been brought to account, thus the value of the assets had been understated in the accounts.

- (e) Balance amount of Rs. 214,747 after making payments from the reserves for 05 expenditures had not been transferred to the revenue account, thus revenue had been understated in the accounts by Rs. 214,747.

1.3.3 Non-maintenance of Registers and Books

Registers such as register of measurement, register of tax on land sales and register of losses had not been maintained by the Sabha.

1.3.4 Receivable and Payable Accounts

The following observations are made.

- (a) Action had not been taken by the Sabha to recover or write off the advance account balance of Rs. 71,845 which has no details.
- (b) Advance of Rs. 145,210 paid to the President of the Rural Development Society had not been settled up to now.
- (c) Deposits payable of Rs. 100,807 had not been paid to the relevant person or relevant department.

1.3.5 Lack of Evidences for Audit

Payment of Rs. 50,680 could not be satisfactorily vouched or accepted in audit due to lack of certified beneficiaries list.

1.3.6 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliances
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<p>(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 148 (1) of Chapter V</p>	<p>The tax on any vehicles and animals is authorized to impose by the Pradeshiya Sabha. However, tax on those vehicles and animals had not been recovered at the specified rates.</p>
<p>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571</p>	<p>Action had not been taken in respect of lapsed deposits of Rs. 2,720,145</p>

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year under review had resulted in an excess of income over recurrent expenditure of Rs. 44,710,142 as compared with the corresponding excess of income over recurrent expenditure of Rs. 27,936,006 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 16,774,136 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs. 17,885,039 as compared with the corresponding net surplus of Rs. 2,267,037 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 15,618,002 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 83,055,335 as compared with the corresponding working capital of Rs. 48,570,097 for the preceding year, thus indicating an improvement in the working capital by Rs. 34,485,238 for the year under review.

2.4 Revenue Administration

2.4.1 Performance of Revenue Collection

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

Item of Revenue	Estimated	2016	
		Actual	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Assessment Taxes	106	120	554
Lease Rents	14,930	11,769	182
License Fees	1,402	1,518	6
Other Revenue	66,515	73,941	57
Total	82,953	87,348	799

2.4.2 Assessment tax on Property

Reassessment had not been made for the properties for over the last 10 years and revenue of assessment tax had not been recovered.

2.4.3 Rents

Rent of Rs. 45,875 had remained as arrears up to now without being recovered.

2.4.4 License Fee

License fee of Rs. 5,850 had remained as arrears without being recovered.

2.4.5 Other Revenue

The following observations are made.

- (a) Cemetery tax had not been recovered by the Sabha for 23 cemeteries belonging to the Sabha.
- (b) Annual tax for three telecommunication towers of the Sabha had not been recovered.

2.4.6 Stamp Fees

Stamp fees valued at Rs. 74,365,765 had not been recovered from the Registrar General of Lands.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Even though approved cadre of the Sabha was 98, actual cadre was 79, thus shortages and excess in the cadre were 20 and 01 respectively.
- (b) A sum of Rs. 36,578,420 had been proposed in the budget for development of 29 roads during the year under review. However, such works had not been carried out up to now.
- (c) A sum of Rs. 75,000 paid for constructing tube well in the year 2016 had not been utilized for intended purpose.
- (d) A sum of Rs. 101,272 allocated for erecting fence of solid tent had not been utilized.
- (e) At least 04 Audit and Management Committee meetings should be conducted annually. However, 02 Audit and Management Committee meetings had only been held in the Sabha during the year under review.

3.2 Operating Inefficiency

Donations of Community Centres amounting to Rs. 86,536 had not been utilized for intended purpose.

3.3 Underutilized Assets

The following observations are made.

- (a) Hand tractor had remained in unusable condition for over 5 years in the Sabha.
- (b) Two markets had not been utilized for intended purpose for the period of 03 years.

3.4 Delays in Projects

Fifty seven capital works valued at Rs. 9,287,475 had not been executed.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 67,803 to Rs. 43,257,176 between the budgeted expenditure and actual expenditure were observed in audit.