

Kattankudy Urban Council
Batticaloa District.

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented on 28 March 2011 and the financial statements for the preceding year had been presented for audit on 25 March 2010.

1.2 Opinion

So far as appears from my examination and to the best of my information and according to the explanations given to me, I am of opinion that, the Urban Council, Kattankudy 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 the Generally Accepted Accounting Principles give a true and fair view of the state of affairs of the Urban Council Kattankudy as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1. Accounts Payable

Balances of accounts payable for over a period of 01 year as at 31 December 2010 amounted to Rs 6,857,006.

1.3.2 Non-compliance

The following non-compliances with Laws, Rules and Regulations were observed in audit.

Reference to Laws, Rules, Regulations
etc.

Non-Compliance

- | | |
|---|---|
| a) Director of Health Services Circular No.1769 dated 1992 September 30 | Drawing fees amounting to Rs. 148,227 had been paid to Public Health Inspectors contrary to the circular |
| b) Procurement Guideline No. 3.9.1 | Civil works of 03 community centres had been awarded to the value of Rs.5,400,000 contrary to the Procurement Guideline |
| c) Inland Revenue Act No. 10 of 2006 Section 153. | Withholding Tax of 5% amounting to Rs.2,735 had not been deducted from the |

payment.

d) Financial Regulation 685

A sum of Rs. 19,450 had been paid for concrete posts and barrels purchased by the Council without following tender procedures.

e) Financial Regulation 138

A sum of Rs 14,334 had been paid for overtime without being certified by a responsible officer.

2. Financial and Operating review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Urban Council for the year ended 31 December 2010 amounted to Rs 2,415,911 against the recurrent expenditure exceeding the revenue for the preceding year amounting to Rs 349,106.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue, Arrears of Revenue

The position with regard to the estimated revenue, actual revenue and 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>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
(i) Rate and Taxes	7,719	13,696	6,076	4,485	5,954	5,976
(ii) Lease Rents	2,034	2,046	282	1,073	1,073	--
(iii) License Fees	3,118	3,122	--	1,649	1,716	12
(iv) Other Revenues	3,502	3,502	43	4,423	4,423	04

2.3 Expenditure Structure

The estimated and the actual expenditure and the variances of the Council for the year under review and the preceding year are given below.

<u>Item of Expenditure</u>	<u>Estimated</u> Rs'000	<u>2010</u> <u>Actual</u> Rs'000	<u>Variance</u> Rs'000	<u>Estimated</u> Rs'000	<u>2009</u> <u>Actual</u> Rs'000	<u>Variance</u> Rs'000
<u>Recurrent Expenditure</u>						
Personal						
Emoluments	27,244	28,536	(1,292)	21,067	25,687	(4,620)
Other	<u>5,552</u>	<u>5,802</u>	<u>(250)</u>	<u>5,954</u>	<u>3,752</u>	<u>2,202</u>
Sub- total	32,796	34,338	(1,542)	27,021	29,439	(2,418)
Capital						
Expenditure	<u>7,620</u>	<u>4,460</u>	<u>3,160</u>	<u>40,825</u>	<u>5,375</u>	<u>35,450</u>
Grand total	<u>40,416</u>	<u>38,798</u>	<u>1,618</u>	<u>67,846</u>	<u>34,814</u>	<u>33,032</u>

2.4 Human Resources Management.

Approved Cadre and Actual Cadre

Particulars of the approved and the actual cadre of the Council are given below.

<u>Category of Posts</u>	<u>As at 31December 2010</u>	
	<u>Approved</u>	<u>Actual</u>
Staff Grades	01	01
Secondary Grades	19	18
Primary Grades	64	62
Others (Casual/ Temporary)	--	40
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	84	121
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2.5 Assets Management

2.5.1. Accounts Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs2,811,060.

2.5.2. Idle and Underutilized Physical Resources

It was observed at audit test checks, that motor vehicles valued at Rs195,000 had remained idle or underutilized for over 04 years.

2.6. Staff Loans Recoverable

Balances of staff loans recoverable for over 01 year as at 31 December 2010 totalled Rs. 42,110.

2.7. Assets not verified

The value of assets computed on book balances as at 31 December 2010 and not

supported by physical verifications/ board of survey reports amounted to Rs.17,935,753.

2.8. Internal Audit

An adequate internal audit had not been carried out at the Council.

3. Systems and Controls

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

- (a) Accounting
- (b) Internal Audit
- (c) Revenue Administration