

Kayts 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 30 March 2010 and the financial statements of the preceding year had been presented for audit on 31 March 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 Kayts 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 Kayts 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 the liabilities and expenditure under the instances and value are given in the following table.

	<u>Liabilities</u>		<u>Expenditure</u>	
	<u>Number of Instances</u>	<u>Value Rs.</u>	<u>Number of Instances</u>	<u>Value Rs.</u>
Overstatements in the Accounts	02	1,391,945	01	1,750,000
Understatements in the Accounts	01	3,776,909	-	-

1.3.3 Accounts Payable

The value of balances of accounts payable older than 1 year as at 31 December 2010 amounted to Rs.76,485

1.3.4 Lack of Evidence for Audit

Non-submission of Information for Audit

Transactions valued at Rs.52,875,046 could not be satisfactorily vouched in audit due to the 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

Non compliance

- (a) Financial Regulations of the Democratic of Sri Lanka
Financial Regulation 103

Sabha had not taken action on loss of electrical items valued at Rs.413,519 during the last 02 years.

2. Financial and Operation Review

2.1 Financial Results

According to the Financial Statements presented the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.1,541,737 as compared with the excess of revenue over the recurrent expenditure for the preceding year amounting to Rs.2,420,741.

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>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.	Rs.	Rs.	Rs.	Rs.	Rs.
	000	000	000	000	000	000
Rates and Taxes	2	-	143	2	-	143
Lease Rent	1,272	1,448	60	1,065	1,186	60
License Fees	116	205	-	116	84	-
Other Revenue	20,623	16,671	60	4,062	16,180	60

2.2.2 **Court Fines.**

Court fines collected under various ordinances by the Magistrate's Court up to 31 December 2010 and remitted to the Provincial Commissioner of revenue had not been received by the Sabha. The schedule of the fines for the year under review and the preceding year 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.

2.2.4 **Arrears of Revenue**

Action had not been taken in terms of Pradeshiya Sabha (Financial and Administrative) Rules of 1988 to recover the arrears of rent, rates and license fees amounting to Rs.263,000 recoverable in respect for the year up to as at 31 December 2010.

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>Budgeted</u>	<u>2010</u> <u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>2009</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>
<u>Recurrent Expenditure</u>						
Personal Emoluments	16,021	12,982	3,039	15,180	12,770	2,410
Others	2,620	3,800	(1,180)	4,195	2,260	1,935
Sub-total	18,641	16,782	1,859	19,375	15,030	4,345
Capital Expenditure	6,452	10,192	(3,740)	3,205	5,913	(2,708)
Grand Total	25,093	26,974	(1,881)	22,580	20,943	1,637

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	03	01
Secondary Grade	20	14
Primary Grade	48	35
Others (Casual/Temporary)	-	03
Total	71	53

2.5 Assets Management

2.5.1 Idle and underutilized Physical Resource.

It was observed at audit test checks that physical resources remained idle and under utilized as analyzed below.

<u>Nature of Assets</u>	<u>Value Rs.</u>	<u>Idle Period</u>
Fish Market Analaitivu	450,000	One Year
Fish Market Eluvaitivu	240,000	One Year
Pickup Motor Vehicle – 252-6481	1,242,500	One Year
	<u>1,932,500</u>	

2.5.2 Account Receivable

Balances of accounts receivable as at 31 December 2010 amounted to Rs.7,801,988 while balances of accounts older than 01 year amounted to Rs.2,221,685.

2.5.3 Staff Loans Recoverable

Staff loan balances recoverable as at 31 December 2010 totalled Rs 2,179,763. while balance remaining outstanding for over 01 year amounted to Rs. 2,033,827.

2.5.4 Operating Inefficiencies.

Licence had not been obtained for cattle slaughter houses of the Sabha in terms of National Environmental Act, No.47 of 1980 and Gazette No.1159/22 dated 22 November 2000. Details of the number of Cattle slaughtered had not been registered as required in terms of Section 10 of Butchers Ordinance.

2.5.5 Performance

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

2.6 Internal Audit

An adequate internal audit had not been carried out in the Sabha.

3 Systems and Controls

Special attention is drawn to the following arrears of system and controls.

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