

Karainagar 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 04 March 2014 and the financial statements for the preceding year had been presented on 07 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 financial statements give a true and fair view of the financial position of the karainagar Pradeshiya Sabha as at 31 December 2013 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 Deficiencies

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

Effect on Financial Statements	Assets		Liabilities		Expenditures	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Understatement	01	129,000	-	-		
Overstatements	-	-	01	450	01	13,590
Classification Error	01	1,450	-	-	-	-

(ii) The value of 4 vehicles of the Sabha had not been assessed and included in the financial statements resulting in an understatement of accounts.

1.3.2 Lack of Evidence for Audit

----- Non Rendition of Information for Audit -----

Transactions valued at Rs.129,000 could not be vouched in audit due to lack of necessary evidence for audit.

1.3.3 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

Value Added Tax act No.14 of 2002

The value added tax of Rs.178,344 recovered during the year under review had not been remitted to the Department of Inland Revenue upto the date of this report.

Nation Building Tax No. 09 of 2009

The Nation Building Tax of Rs.3,590 recovered during the year under review had not been remitted to the Department of Inland Revenue upto the date of this report.

1988 Pradeshiya Sabha (Finance
and Administration) Rules

Chapter III

Section 4

The Sabha had not maintained a register of assessment tax from its inception in 2006.

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.540,614 as against the recurrent expenditure exceeding the revenue of the preceding year amounting to Rs.566,913.

2.2 Financial Control

It was observed in audit that there was a difference of Rs.82,095 between the budgeted and actual revenue and a difference of Rs.1,968,553 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
-----	-----	-----	-----
	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	30	64	-
(ii) Lease Rent	267	269	-
(iii) Licence Fees	1,783	1,743	-
(iv) Other Revenue	12,780	12,866	3,938

2.3.2 Court Fines

Action had not been taken to recover court fines of Rs.604,742 for the period 2012 and 2013 from the Magistrate's court, Kayts.

2.3.3 Stamp Fees

Stamp fees of Rs.2,871,905 for the period 2012 and 2013 due from the Registrar General had been accounted for, as revenue. This had not been received upto the date of this report.

2.3.4 Loss of Revenue

Rates and taxes had not been recovered form the inception of the Pradeshiya Sabha in 2006. Further, the rates and taxes of land and buildings within the area of the Sabha had not been assessed by the Department of Valuation.

2.4 Assets Management

2.4.1 Vehicle Utilization

Three ploughing machines of the Sabha remained idle.

2.4.2 Construction of a building for the Sabha

A sum of Rs.2,019,602 had been spent for laying foundation for the Sabha in 2008. But, the building had not been constructed and this had become an idle asset.

2.4.3 A typewriter, a monitor and a printer of the Sabha which had been damaged were lying at the stores for over 2 years.

2.4.4 Unused Bulbs

Fifty bulbs costing Rs.129,000 purchased at end of the year under review remained at the stores without being entered in the register of stock.

2.4.5 Operating Inefficiencies

A sum of Rs.2,928,000 had been included in the Capital Development Reserve during the year under review. This had not been invested in a fixed deposit for future development work.

2.5 Contract Administration

----- Completely Abandoned Projects -----

Capital projects budgeted for the year under review amounting to Rs.250,000 had been abandoned.

2.6 Solid Waste Management

Garbage collected within the area of the Sabha had been destroyed by Setting fire etc.,
But, a compost fertilizer system had not been implemented.

3. Systems and Controls

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

- (i) Collection of Revenue
- (ii) Vehicle Utilization
- (iii) Budget