

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 to audit on 27 March 2014 and the financial statements for the preceding year had been presented on 12 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, 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 2013 and the financial result of its operations and cash flow for the year then ended.

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, revenue and expenditure.

Effect on Financial Statements	Assets		Revenue		Expenditure	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Overstatement	-	-	01	1,024,907	-	-
Understatement	01	6,600	-	-	-	-
Omission	-	-	-	-	01	3,492,276
Classification Error	01	65,500	-	-	-	-

- (ii) The value of 3 vehicles of the Sabha had not been assessed and included in the final accounts. As a result, the values of motor vehicles had been understated in the accounts.

1.3.2 Lack of Evidence for Audit

Non rendition of Information for Audit

Transactions valued at Rs.52,342,600 could not be vouched in audit due to non rendition of necessary information.

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 No.14 of 2002 of the Inland Revenue

The value added tax of Rs.18,515 recovered during the year under review had not been remitted to the Department of Inland Revenue.

Nation Building Tax No.09 of 2009

The Nation Building Tax of Rs.14,046 recovered during the year under review had not been remitted to the Department of Inland Revenue.

Pradeshiya Sabha Rules 1988 (Finance and Administration)

Chapter II
Section 4

A register of assessment tax had not been maintained and the Sabha had not recovered assessment tax.

Chapter V
Section 120

Action had not been taken by the Secretary with regard to advances amounting to Rs.580,693.

Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 234

Action had not been taken with regard to cheques valued at Rs.3,000 remaining uncashed for over 6 months.

Financial Rules of the Northern Provincial Council

Chapter 2
Sub Section 69.1

A sum of Rs.391,256 had been spent to repair the Pickup No.LG 8958 of the Sabha which had met with an accident. Details relating to the accident had not been furnished to the Auditor General.

Procurement Guideline

Appendix 19
Section 9.3.1

The approval of the Secretary to the Ministry of Local Government had not been obtained for repairs to vehicle No.252-6481 amounting to Rs.1,100,250.

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.456,003 as against the recurrent expenditure exceeding the revenue amounting to Rs.2,641,627 of the preceding year.

2.2 Financial Control

It was observed in audit that there were variances between the budgeted revenue and expenditure and the actual revenue and expenditure amounting to Rs.4,190,608 and Rs.5,633,569 respectively.

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	17	-	-
(ii) Lease Rent	2,142	1,553	25
(iii) Licence Fees	1,023	364	4,616
(iv) Other Revenue	26,321	23,396	4,590

2.3.2 Court Fines

Court fines for the years 2012 and 2013 amounting to Rs.928,382 due from the Kayts Magistrate's Court had been accounted for. But, recoveries had not been made upto the date of this report.

2.3.3 Stamp Fees

Action had not been taken to recover the arrears of stamps fees of Rs.3,661,430 due for the period 2006-2013.

2.3.4 Revenue Administration

Recoveries of rates and taxes had not been made for over 10 years. Action had not been taken to recover rates and taxes during the year review too. The activities of the Sabha continues to be carried out from interest from fixed deposits which was 87 per cent of the total income.

2.4 Payments without Approval

During the year under review a sum of Rs.1,100,250 had been spent on repairs to a pick up bearing No.252-6481 valued at Rs.1,242,500 without the approval of the Ministry of Local Government and without allocations being made for repairs to vehicles.

2.5 Assets Management

2.5.1 Vehicle Utilization

(i) It was observed in audit that 4 ploughing machines valued at Rs.600,000 donated by the Ministry of Rehabilitation and Reconstruction of the Northern Province remained without being registered and without obtaining licences and insurance cover for over 10 years.

(ii) Under Utilization

It was observed in audit that 12 vehicles of the Sabha remained idle.

(iii) Vehicles without Milometer Readings

Milometers of 4 vehicles were out of order and as such the consumption of fuel per kilometre could not be ascertained in audit.

(iv) Fruitless Expenditure on Repairs to Vehicles

The Vehicle No,252-6481 valued at Rs.1,245,500 had been given by the Ministry of Local Government in 1998. It had been repaired at a cost of Rs.1,100,250 during the year under review. But, the vehicle needed repairs again on 23 July 2013 and remained parked at vehicle park. The expenditure on repairs had become fruitless as it had been decided to sell it by auction according to the Decision No.24 dated 31 March 2013.

2.6 Contract Administration

(i) The work relating to interior roads budgeted by the Sabha had commenced on 15 October 2013 instead of being commenced at commencement of the year. As a result, work valued at Rs.661,032 had been carried forward for the ensuing year.

(ii) Completely Abandoned Projects

Three projects of the year under review valued at Rs.700,000 had been completely abandoned.

2.7 Operating Inefficiencies

- (i) Donations amounting to Rs.142,000 given by the Commissioner of Local Government for upliftment of community centres during 2006-2010 had not been given to the community centres. Instead, it had been kept under other deposits.
- (ii) A sum of Rs.110,925 allocated by the Government Agent, Jaffna in 2002 for rehabilitation and reconstruction work remained in the other deposits, without being used for the said purpose.

2.8 Irregular Usage of Funds

The Government Agent, Jaffna had allocated Rs.839,075 in 2002 for abolishing shanties and for supply of drinking water. This had been utilized for reconstruction of containers during the year under review on a decision made by the Sabha.

3. Systems and Controls

Special attention is needed in the following areas of control.

- (a.) Budget
- (b.) Collection of Revenue
- (c.) Vehicle Utilization
- (d.) Sundry Deposits