

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 12 March 2013 and the financial statements for the preceding year had been presented on 11 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 10 September 2013.

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 2012 and except for the effects on the financial statements of the matters referred to in my 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 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The accounting deficiencies observed in the financial statements in respect of assets, revenue and liabilities are shown in the following table.

Effect on the Financial Statements.	Assets		Revenue		Liabilities	
	No of Instances	Value Rs.	No of Instances	Value Rs.	No of Instances	Value Rs.
Overstatements	01	1,186	01	106,000		
Erroneous Classifications			01	56,700		
Omissions					01	3,962,724

1.3.2 Dormant Bank Account

Current account No. 726 opened in the Peoples Bank to operate revenue collection and expenditure relating to Thevaratham Board service had not been operated since 2002, and the balance shown was Rs. 165,201.

1.3.3 Lack of Evidence for Audit

Transactions totalling Rs. 88,178,965 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

2. Financial and Operation Review

2.1 Financial Results

According to the financial statements presented, the excess of expenditure over revenue of the Sabha for the year under review amounted to Rs. 2,641,627 as against the excess of revenue over expenditure amounting Rs. 11,383,489 for the preceding year.

2.2 Financial Control

Following observations are made.

- (a) The budget had not been properly prepared as such a difference of Rs. 6,805,200 between budgeted revenue and actual revenue and a difference of Rs. 5,785,002 between budgeted expenditure and actual expenditure were observed in audit.
- (b) Revised budget had not been prepared by the Sabha for Development activities when the expenditure exceeds on revenue. However a sum of Rs. 1,200,000 had been deposited in fixed deposits at the Peoples Bank, Kayts.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs. 000	Rs. 000	Rs. 000
Rates and Taxes	17	-	-
Lease Rent	2,498	1,274	-
Licence Fees	476	279	-
Other Revenue	25,019	19,651	4,190
Total	28,010	21,204	4,190

2.3.2 Court Fines

No action had been taken to recover the court fines and penalties amounting to Rs.1,052,175 imposed under various ordinances for the year 2012.

2.3.2 Stamp Fees.

- (a.) No action had been taken to recover the stamp fees receivable Rs. 1,683,880 for the year 2010 and 2011 from the Register General of Land.
- (b.) Stamp fees schedule for Rs.1,040,590 for the year under review had not been obtained from the Register General of Lands and brought to account.

2.4 Assets Management

2.4.1 Idle and Underutilized Physical Resources

The following items belong to the Sabha had been lying idle.

Category of Assets	Value	Idle Period
	Rs.	
Two wheeler tractor Donated by RRAN	100,000	from 2002 up to date
Two wheeler Donated by RRAN	150,000	from 2002 up to date
Thevaratham Boat	not valued	from 2008 up to date

2.5 Non – compliances with Laws, Rules and Regulations

Non-compliances with the provisions in the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non - compliance

(a.) **Pradeshiya Sabha (Financial and Administration) Rules of 1988**

(i.) Section 04 of Chapter II

A register of assessment had not been maintained by the Sabha relating to assessment tax and taxes had not been recovered by the Sabha.

(ii.) Section 97 of Chapter I

Programme expenditure item as per budget had not been shown in the voucher.

(iii.) Section 120 of Chapter V

Advance account balance Rs. 1,615,251 had been shown due to action had not been taken against those unsettled by the Secretary on due date.

(iv.) Section 66 of Chapter III

Action had not been taken to recover arrears amounting to Rs. 271,978 by the Secretary.

(b.) **Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

(c.) FR. 271

Action had not been taken to settle the lapsed deposits and unpaid salaries amounting to Rs.1,609,000 instead balances had been shown continuously in the accounts.

(d.) Value Added Tax Act, No 14 of 2002.

Collection of Value Added Tax amounting to Rs. 1,024,906.23 for the period 2006- 2012 had not been remitted to the Department of Inland Revenue and had remained in the miscellaneous deposits account.

(e.) Nation Building Tax Act, No. 09 of 2009.

Nation Building Tax amounting to Rs. 54,218.47 recovered in year 2012 had not been remitted to the Department of Inland Revenue.

2.6 Transactions of a Contentions Nature

A sum of Rs. 2,500 had been paid in terms of para II of the Northern Provincial Treasury Circular No.PT/1/2009 dated 28 January 2009 for the duties relating to the auction sales of unutilized items during the year under review. However, this had been erroneously accounted as duties relating to destroy condemned articles during the year 2011.

2.7 Incomplete Projects

It was observed that two capital works amounting to Rs. 1,450,000 included in the budget 2012 had not been completed. However, the Sabha funds amounting to Rs. 1,200,000 had been kept in the fixed deposit account at the Peoples Bank for the purpose of earning interest.

2.8 Operating Inefficiencies

- (a) Donations amounting to Rs. 189,978 given by the Commissioner of Local Government during 2006 - 2010 for Community Centres and toilets had been kept in the miscellaneous deposits without being utilized for the specific purposes.
- (b) A sum of Rs.950,000 given by the District Secretary in 2002 for sewerage cleaning and distribution of drinking water had been kept in the Other Deposits, without being utilized for the specific purposes.
- (c) Action had not been taken either to pay or transfer to revenue the unpaid salaries amounting to Rs.395,138 treated as expenditure relating to deceased officers and officers vacated their posts in past period.

2.9 Internal Audit

Adequate internal audit had not been carried out by the Pradeshiya Sabha.

3 Systems and Controls

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

- i. Revenue Collection
- ii Fixed Assets
- iii. Minutes of Monthly Meetings
- iv Accounting
- v. Human Resource.
- vi. Donations
- vii. Utilization of Vehicles
- viii. Miscellaneous Deposits
- ix. Budgetary Control