

**Karachchi Pradeshiya Sabha
Kilinochchi District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been submitted to audit on 28 March 2016 and the financial statements for the preceding year had been submitted to audit on 06 April 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 08 September 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Karachchi Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies to be adopted in preparing and submitting the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

1.3.2 Comply with Sri Lanka Public Sector Accounting Standards

It was observed that it had not been ensured through the financial statements of the Sabha that the financial statements for the year under review had been prepared and submitted in accordance with Sri Lanka Public Sector Accounting Standards and cash flow statement for the year under review had not been prepared.

1.3.3 Accounting Deficiencies

The following matters were observed.

- (i) As stamp duty fees totalling Rs. 3,532,315 due from the Registrar General of Lands in the years 2010 and 2011 had not been brought to the accounts, thus accumulated fund in the year under review had been understated.

- (ii) Revenue during the year under review had been understated due to interest income on fixed deposit aggregating Rs. 155,202 had not been brought to the financial statement.
- (iii) Loss of Rs. 1,214,986 occurred during the year 2014 due to the official vehicle accident had not been brought to accounts for over the last two years.
- (iv) Four numbers of capital works valued Rs. 1,322,038 executed during the year under review had not been capitalized, thus value of the fixed assets had been understated in the financial statements.

1.3.4 Payables

Stamp duties and Nation Building Tax (NBT) totalling Rs. 192,740 recovered in the year under review had been retained in the miscellaneous deposit account on 31 December 2015 without being remitted to the Department of Inland Revenue.

1.3.5 Lack of Evidences

Two payments of the Sabha totalling Rs. 638,825 for the year under review could not be satisfactorily vouched or accepted in audit due to the non-availability of the evidences such as goods received note, bill of quantities, etc.

1.3.6 Non - compliances with Laws, Rules, Regulations and Management Decisions.

The following instances were observed.

Reference to Laws, Rules, Financial Regulations and Management Decisions.	Non - Compliance
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 <hr style="width: 100%;"/>	
(i) Section 24 of Part III	Action had not been taken to publish the schedules of roads and lanes belonging to the Sabha within 3 years from the establishment of the Pradeshiya Sabha in the Government Gazette.
(ii) Section 108 and 132(J) of Part IV	(i) 11 Community Centre buildings had been constructed at a cost of Rs. 4,765,602 by using the fund of the Sabha in the year under review without being obtained prior approval from the relevant Minister in writing.

- (ii) Newspapers had been purchased and issued to the 34 community Centres at a cost of Rs. 558,325 by using the fund of the Sabha in the year under review without being obtained prior approval from the relevant Minister in writing.

(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year-1988

- (i) Rule 66 of the Chapter III
Actions had not been taken by the Secretary of the Sabha to recover revenue arrears totalling Rs. 5,529,084.
- (ii) Rule 140 of Chapter V
Actions had not been taken to settle the ad-hoc advances aggregating Rs.27, 000 over the last one year.
- (iii) Rule 178 (1) of Chapter IX
Revenue of Rs. 15,292,930 had been received by lease out 18 stalls and assets belonging to the Sabha in the year under review without being established Procurement Committee.
- (iv) Rule 178 (3) of Chapter VIII
Register including names of community based organization, community centers which carry out contract works effectively had not been maintained.
- (v) Rule 178 (5) of Chapter VIII
Bid documents had not been sent by the registered post or officer who authorized by the Chairman when delivering them.
- (vi) Rule 180 of Chapter IX
Security money had not been obtained from the officers who are responsible for cash and store.

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

(i) F.R. 104

It was observed that preliminary inquiry and final inquiry had not been conducted to find out the reasons and fix the liabilities for loss of Rs. 1,214,986 incurred due to the accident of vehicle belonging to the Sabha. In this regard, the above accident had not been reported to Auditor General.

(ii) F.R. 571

Meaningful actions had not been taken by the Sabha in respect of 38 numbers of lapsed deposits totalling Rs. 1,631,597 for over the last two years.

2. Financial Review

2.1 Financial Result

According to the financial statements presented for the year under review, operations of the Sabha for the year ended 31 December 2015 had resulted in an excess of income over recurrent expenditure of Rs. 49,948,805 as compared with the corresponding excess of income over recurrent expenditure of Rs. 32,060,433 for the preceding year, thus indicating an improvement in excess of income over recurrent expenditure by Rs. 17,888,372 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs.17,095,288 as compared with the corresponding net surplus of Rs.556,013 for the preceding year, thus indicating an increase of closing financial results by Rs.16,539,275 for the year under review.

2.3 Working Capital Management

According to the financial statements submitted, working capital of the Sabha for the year under review had resulted in Rs.93,449,565 as compared with the corresponding working capital of Rs. 77,877,218 for the preceding year, thus indicating an increase of working capital by Rs. 15,572,347 for the year under review.

2.4 Revenue Management

2.4.1 Estimated Revenue, Actual Revenue and Revenue Arrears

Detail regarding the estimated revenue, actual revenue and revenue arrears for the year under review are as follows.

Item of Revenue	Estimated (Rs.)	Actual (Rs.)	Cumulative Arrears as at 31 December (Rs.)
Rates and Taxes	150,000	1,500	-
Rents and Lease	34,498,854	29,365,424	5,529,084
Licenses	8,155,500	7,338,767	-
Service Charge	4,520,210	4,861,890	-
Warrant Costs, Fines and Penalties	14,202,000	14,539,194	-
Other Income	9,536,800	13,086,361	22,139,623
Revenue Grants	33,345,132	40,598,375	-
Total	104,408,496	109,791,511	27,668,707

2.4.2 Rates and Taxes

It was observed that the assessment register in respect of assessment tax on property had not been maintained by the Sabha for the year under review and rates and taxes had also not been recovered.

2.4.3 Charges for Telecommunication Towers

Actions had not been taken by the Sabha to recover the charges in respect of 05 telecommunications towers constructed under the purview area of the Sabha in terms of the Extra Ordinary Gazette notification no. 1597/8 dated 17 April 2009.

2.4.4 Stamp Fees

Actions had not been taken by the Sabha to recover stamp duty fees aggregating Rs. 12,368,038 due from the Registrar General of Lands during period ranging from 01 to 04 years.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed

- (i) Ownership of the 33 numbers of vehicles donated by the Commissioner of Local Government, Northern Province to the Sabha had not been transferred to the Sabha during the period ranging from 01 to 05 years.
- (ii) Approved Cadre of the Sabha was 112 and actual cadre was 107, Therefore, the vacancies of 11 staffs had not been filled, thus the works to be done by such staffs had been affected and 06 excess staffs had been recruited.

3.2 Asset Management

Seven vehicles had not been utilized by the Sabha for over the last one year.

3.3 Contract Administration

The following matters were observed

- (i) It was observed in audit that a sum of Rs. 15,342 had been paid for uncompleted works of the Public Library building, Kilinochchi.
- (ii) A sum of Rs. 22,236 had been over paid for the repair works of the Public Library, Kilinochchi

3.4 Delays in Project

It was observed in audit that 105 projects totalling Rs. 34,363,313 to be carried out in the year under review had not been executed, thus provision thereon had been made under the sundry creditors account and it had been shown as expenses in the accounts.

3.5 Solid Waste Management

The activities of burning and burying had only made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, the compost and recycling activities had not been made by the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed

- (i) Variances ranging from Rs. 159,450 to Rs. 5,634,624 had been observed between the estimated expenditure and actual expenditure for the year under review.
- (ii) Budget for the year under review had not been prepared in order to use effectively and estimate had not been planned and programmed properly. As such, variances ranging from Rs. 148,500 to Rs. 7,253,243 had been observed between the budgeted income and actual income.

4.2 Audit and Management Committee Meeting

According to the audit and management circular no. DMA/2009 (1) dated 09 June 2009 of the Secretary to the Ministry of Finance and Planning, it had been mentioned that at least 04 Audit and Management Committee meetings should be conducted in order to carry out the activities of the Sabha efficiently in the year under review. However, any such meeting had not been conducted.

3 Systems and Controls

Special attention is needed on the following matters.

- (i) Recovery of revenue arrears
- (ii) Utilization of Vehicles
- (iii) Contract Administration
- (iv) Revenue Register
- (v) Supervision of Personnel