

**Karachchi Pradeshiya Sabha  
Kilinochchi District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2016 had been submitted to audit on 31 March 2017 and the financial statements for the preceding year had been submitted to audit on 31 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 18 July 2017.

**1.2 Qualified Opinion**

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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 2016 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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Revenue of Rs. 865,325 and Expenses of Rs. 1,214,986 had been understated in the financial statements in an instance.

**1.3.2 Sundry Creditors**

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Provision of work schemes amounting to Rs. 9,848,967 transferred to the sundry creditors account by the Sabha in the year 2015 had been transferred to the accumulated fund without being executed works up to the year 2016. As such, accumulated fund account had been overstated by such amount. Therefore, it was observed that the Sabha had not been performed their duties properly.

**1.3.3 Staff Loans**

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Installments and interests amounting to Rs. 376,869 for the year under review had not been recovered from 08 officers who obtained staff loans and advances.

**1.3.4 Loans payable to the Local Loan Development Fund**

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Evidences of contract had not been submitted in order to ensure the accuracy of a sum of Rs. 2,274,789 in respect of loans payable to the local loan development fund stated in the balance sheet and evidences relating to the work schemes carried out by using this fund had also not been submitted to audit. This balance had been shown in the financial statements for 07 years. However, any actions had not been taken by the Sabha to rectify it.

### 1.3.5 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

<b>Reference to Laws, Rules and Financial Regulations</b>	<b>Non-compliances</b>
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Section 180 of Chapter IX	Security money had not been obtained from the officers who are responsible for cash and store.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571	No any meaningful actions had been taken by the Sabha relating to 22 numbers of lapsed deposits totalling Rs. 809,597 over the last two years.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 67,364,113 as compared with the corresponding excess of income over recurrent expenditure of Rs. 49,948,805 for the preceding year, thus indicating an improvement in the financial results by Rs. 17,415,308.

### 2.2 Revenue Management

#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman are given below.

Item of Revenue	Estimated	2016	
		Actual	Cumulative Arrears as at 31 December
	Rs.	Rs.	Rs.
Rates and Taxes	150,000	-	-
Lease Rents	33,958,960	33,096,769	4,757,122
License Fees	6,019,700	5,705,812	-
Other Revenue	71,512,136	88,701,095	28,968,874
<b>Total</b>	<b>111,640,796</b>	<b>127,503,676</b>	<b>33,725,996</b>

### **2.2.2 Rates and Taxes**

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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 in terms of section 32 of chapter III of Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 and rates and taxes had also not been recovered.

### **2.2.3 Accounts Receivable**

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Twenty balances totalling Rs. 4,757,122 shown in the revenue debtor account had remained as arrears in the revenue debtor account for a period ranging from 01 to 05 years without being recovered.

## **3. Operating Review**

### **3.1 Vacancies of Cadre**

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Action had not been taken to fill 17 staff vacancies of the Sabha.

### **3.2 Projects non-executed by the Sabha**

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Projects valued at Rs. 9,848,967 which provisions made in the budget in the preceding years had been transferred to accumulated fund from the sundry creditor account in the year under review without being executed.

### **3.3 Identified Losses**

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Proper inquiry had not been conducted for a total loss value of Rs. 1,214,986 incurred due to the accident of hiace vehicle belonging to the Sabha valued at Rs. 5,190,000 on 17 July 2014 in terms of Financial Regulation 104(4). In this regard, the above accident had not been reported to Auditor General in terms of Financial Regulation 104(2). It was observed that the insurance company had rejected repairing expenditure of this vehicle, thus such expenditure had been paid from the fund of the Sabha.

### **3.4 Solid Waste Management**

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The activities of burning and burying had only been carried out by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, actions had not been taken by the Sabha to implement solid waste management including the compost and recycling projects.

## **4. Accountability and Good Governance**

### **4.1 Budgetary Control**

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Budget estimate had not been prepared properly. As such, variance of Rs. 15,862,880 between the budgeted income and actual income and variance of Rs. 16,006,173 between the budgeted expenditure and actual expenditure were observed in audit.

**5. Systems and Controls**  
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Special attention is needed on the following matters.

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