

**Kayts Pradeshiya Sabha  
Jaffna 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 2018 had been presented to Audit on 15 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman of the Sabha on 03 August 2019 and 31 October 2019 respectively.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Kayts Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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Puliyankoodal land valued at Rs. 1,200,000 had been shown in the financial statements. However, it had been brought to the accounts without being completed acquiring activities therefor, thus the value of the land had been overstated in the accounts.	Respective action should be taken in respect of acquiring land.	Not replied.

**(b) Lack of evidences for Audit**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Two transactions valued at Rs. 79,124 could not be verified due to non-submission of relevant documents.	Relevant evidences should be submitted.	Action will be taken in future.

(c) **Unreconciled Accounts**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
According to the fixed assets register, value of fish market, Kayts was Rs. 633,600. However, it was Rs. 3,133,600 as per financial statements, thus a difference of Rs. 2,500,600 had been incurred.	Value of the building should be included in the financial statements.	Not replied.

**1.4 Non-compliances**  
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**1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions**  
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<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Non-compliances</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) National Audit Act No. 19 of 2018 Sub section 16(2)	An annual performance report had not been presented along with the financial statements.	Action should be taken in terms of instructions of said Act.	An annual performance report will be presented along with the financial statements in future periods.
(b) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 126(III) (f)	No actions had been taken by the Revenue inspector in respect of 06 advertisements which had not been approved.	Action should be taken in terms of instructions of said Act.	Action will be taken by the Revenue inspector in respect of 06 advertisements which had not been approved.
(c) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Section 32 of Chapter III	Assessment of properties and recovery of assessment tax on property had not been made by the Sabha.	Action should be taken in terms of instructions of said Financial and Administrative Rule.	Assessment activities of properties are being carried out by the Sabha.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571	No action had been taken in respect of retention money of Rs. 153,587 to be refunded to the contractor.	Action should be taken as per instructions of said financial regulations.	Respective action will be taken in respect of balance retention money to be refunded to the contractor.

- (e) Circular of Ministry of Public Administration and Management No. 30/2016 of 29 December 2016
- Fuel consumption had not been tested for 04 vehicles of the Sabha.
- Fuel consumption should be tested for repaired vehicles.
- Four vehicles had been repaired, this action is being taken to test fuel consumption therefor.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 3,565,468 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 7,191,680.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue ❖	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue ❖	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	-	-	-	-	-	-	-	-
Rentals	2,921,300	-	2,233,867	8,000	3,625	-	2,677,922	6,266
License Fees	451,650	-	448,762	-	423,400	-	322,999	-
Other Revenue	44,502,876	-	37,565,500	74,450	43,778,938	-	9,112,957	6,418,520
	<b>47,875,826</b>	-	<b>40,248,129</b>	<b>55,450</b>	<b>47,827,897</b>	-	<b>12,113,878</b>	<b>6,424,786</b>

❖ Billed revenue had not been presented to audit.

**2.2.2 Performance in Collection of Revenue**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
Collected revenue for the year 2017 was Rs. 12,113,878. However, collected revenue for the year 2018 was increased as Rs. 40,248,129, thus performance of revenue collection for the year 2018 had been increased by Rs. 28,134,521 as compared with the year 2017. However, revenue had not been billed by the Sabha.	Billed revenue should be verified.	Action will be taken.

**3. Operating Review**  
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**3.1 Performance**  
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The matters observed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

**(a) By-Laws**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
By-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabhas Act. However, by-laws had not been enacted by the Pradeshiya Sabha even as at 31 December 2018.	Meaningful actions should be taken to enact by-laws for implementing all said functions.	Respective action is being taken.

**(b) Action Plan**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
An annual action plan had not been prepared in	An annual action plan should be	An action plan should be prepared by

respect of activities to be implemented by the Sabha. prepared as per by-laws. including all projects of the Sabha.

**(c) Delays in executing Activities**  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Fifteen activities had been started without being made cost estimates. However, delays were observed in performance of those activities.	Action should be taken to complete said activities soon.	Period extension had been given to said works for acceptable reasons.

**(d) Solid Waste Management**  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Expense of Rs. 4,779,889 had been incurred for disposing solid waste in the year 2018. However, solid waste disposal activities had not been carried out by the Pradeshiya Sabha efficiently.	It should be certified that solid waste disposals had been segregated properly and collected.	Solid wastes are segregated and collected.
(ii) Covered vehicles had not been used for collecting solid wastes and garbage had been collected in open vehicles, thus there were health issues to the public when they travel on roads and more garbage had been dumped on the roads by the vehicles.	Covered vehicles should be used for collection of solid wastes.	There were no covered vehicles in the Sabha for using solid waste disposal.
(iii) Sanitary labourers who were employed in solid waste activities had not been subjected to medical test by the Pradeshiya Sabha from time to time.	Sanitary labourers should be subjected to medical test annually.	Actions will be taken to subject to medical test in future periods.

(e) **Environmental Issues**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes.	Actions should be taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell.	Actions for preventing spread of mosquitos will be taken when implementing dengue eradication activities.

**3.2 Management Inefficiencies**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Fixed deposit fund valued at Rs. 17,016,758 had been deposited in the bank in order to generate interest revenue without being used for implementing development work schemes of the area in the year under review.	Fund of the Sabha had been received from the people, thus such fund should be used for development of the area.	A sum of Rs. 20,843,957.58 had been in the fixed deposit. However, out of that, others excluding a sum of Rs. 172,800.88 had been started before 2015.
(b) Development works had been carried out for 16 cemeteries in the Sabha. However, cemetery tax had not been recovered.	Action should be taken by the Sabha to recover cemetery tax for 16 cemeteries.	Cemetery tax will be recovered after taking action to fixing boundaries.
(c) No action had been taken to carry out assessment of rates and taxes.	Action should be taken to carry out assessment of rates and taxes.	Activities in respect of assessment of properties is being carried out now.
(d) Reports to be prepared by the Local Government Assistant had not been presented in due periods, thus main functions of the Pradeshiya Sabha had not been completed.	The reports to be prepared by the Local Government Assistant should be presented on due periods.	Not replied.

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| (e) | A citizen charter of the general public had been displayed by the Pradeshiya Sabha. However, contrary to mention therein, services provided to general public had been delayed. | As per mentioned in citizen charter, services should be provided to the general public in due periods. | Services had been delayed due to non-submission of required information and documents properly. |
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**3.3 Human Resources Management**  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
The Sabha had not recruited and deployed human resources properly. As a result, it was observed in audit that works to be completed by such 19 human resources had been delayed.	Staff should be appointed in equal manner to approved cadre.	Action will be taken to fill the vacancies.

**3.4 Assets Management**  
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**3.4.1 Failure in carrying out Maintenance and Repairing**  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No action had been taken to repair 06 vehicles being used by the Sabha for over 02 years.	Action should be taken to repair vehicles which were repairable.	Action had been taken to sell 04 vehicles by auction and action could not be taken in respect of other two land master which had not been registered

**3.4.2 Assets not acquired**  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Ownership of 22 properties valued at Rs. 50,070,600 had not been transferred to the Pradeshiya Sabha.	Action should be taken to transfer ownership of the properties to the Pradeshiya Sabha.	Action will be taken to transfer ownership.
(b) Ownership of 22 vehicles issued to the Pradeshiya	Action should be taken to transfer ownership of the	Action will be taken to transfer ownership in

Sabha as a donation had not been transferred to the Sabha. vehicles belonging to the Sabha. future periods.

**3.4.3 Idle Assets**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Thevaratham boat belonging to the Sabha had remained idle for 04 years.	Action should be taken to register the boat and accelerate to sell it by auction.	Said boat had not been registered up to now, thus action is being taken to register said boat.
(b) Three stalls of new market shopping complex belonging to the Sabha had remained idle for the last 10 years.	Action should be taken to use new market shopping complex efficiently.	Action is being taken to rent out in shopping complex.

**3.4.4 Annual Board of Survey**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) At annual store verification of the head office, a report on board of survey had been presented without verified actual stock value of 27 items.	It should be certified that annual stock verification had been carried out properly.	Actions is being taken to fix values for donated items.
(b) Respective actions had not been taken by the Sabha in respect of 442 displaced books valued at Rs. 46,198 of the General Library, Eluvaitivu.	Respective actions should be taken by the Sabha in respect of displaced books quickly.	Continuous actions are being taken by the Sabha in respect of displaced books.



**4. Accountability and Good Governance**  
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**4.1 Budgetary Control**  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- Recurrent expenditure such as travel expenses, repair of capital assets, grants, aid funds and pensions including in the budget of the Sabha had been saved more per cent from actual expenditure, thus the budget was inefficient.	----- Respective actions should be taken to plan the budget properly.	----- Not replied.