

**Chavakachcheri 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 27 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 30 June 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 Chavakachcheri 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 Policies**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	Accounting policies should be disclosed in the financial statements.	Accounting policies will be disclosed in the financial statements in future periods.

**(b) Accounting Deficiencies**

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(i) Values of six vehicles had not been assessed and brought to accounts, thus the values of the motor vehicles had been understated in the accounts.	Values of six vehicles should be assessed and shown in the financial statements.	Values of such vehicles will be shown in the financial statements of this year.

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| (ii) | Values of 15 land and buildings belonging to the Sabha had not been brought to accounts, thus the values of the assets had been understated in the accounts | Values of 15 land and buildings should be shown in the financial statements. | Actions will be taken to assess values of 15 land and buildings. |
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#### 1.4 Contingent Liabilities

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A case had been filed by the Sabha against an external party as at 31 December 2018. Information in this regard had not been disclosed in the financial statements. Details are as follows.

Audit Observations	Recommendations	Comments of the Accounting Officer
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It was observed that a Case No. 24531 filed by the Sabha in respect a public hall functioned without trade license was being held since 23 July 2018 at court. However, Expenses therefor had not been disclosed as contingent liability in the financial statements.	It should be certified that expenses in respect of the case were shown as contingent liability in the financial statements.	Case expenses had been shown as contingent liability in the budget.

#### 1.5 Non-compliances

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##### 1.5.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

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Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
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(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	Warrant had not been issued to the persons who had defaulted arrears of assessment tax on property totalling Rs. 427,070 by the Chairman.	Action should be taken in terms of instructions of said Act.	Arrears will be recovered in the year 2019 and warrant also will be issued.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Section 193 of Chapter X	A statement including explanation for variances by comparing details of actual revenue and expenditure for the year under review with the budget had not been prepared.	Action should be taken in terms of instructions of said Rules.	A statement including explanation for variances will be attached.

## 1.5.2 Noncompliance with Tax Requirements

Audit Observations	Recommendations	Comments of the Accounting Officer
In terms of Section 154 of Pradeshiya Sabhas Act No. 15 of the year 1987, sales tax equivalent to 1% should be recovered on sales of certain lands. However, no action had been taken by the Sabha to recover them.	Sales tax equivalent to 1% should be recovered on sales of certain lands	Legal action will be taken by conducting Registrar of Lands.

## 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. 32,663,917 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 55,767,504.

### 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	106,000	-	24,731	484,156	106,000	-	86,145	611,440
Rentals	13,679,907	-	14,903,808	113,004	14,930,100	-	14,385,089	165,204
License Fees	739,050	-	1,950,111	5,850	1,401,650	-	983,870	5,850
Other Revenue	74,467,943	-	71,580,661	-	66,515,337	-	87,051,146	6,445
	<b>88,992,900</b>	<b>-</b>	<b>88,459,311</b>	<b>603,010</b>	<b>82,953,087</b>	<b>-</b>	<b>102,506,250</b>	<b>788,939</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 years 2017 and 2018 were Rs. 102,506,250 and Rs. 88,459,311 respectively, thus performance of revenue collection for the year 2018 had been decreased by Rs. 14,046,939 as compared with the year 2017. However, revenue had not been billed by the Sabha, thus arrears could not be verified.	Billed revenue should be verified.	Action had been taken to bill revenue of assessment tax on property.

## 2.2.3 Rates and Taxes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
No action had been taken to recover arrears of assessment tax on property totalling Rs. 337,581 in the year under review.	Action should be taken to recover arrears totally.	Action will be taken to recover arrears.

## 2.2.4 Court Fines

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
Court fines totalling Rs. 5,882,717 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Action should be taken to recover arrears totally.	Action is being taken to recover court fines.

## 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 for 09 main functions even as at 31 December 2018.	By-laws should be enacted for 30 main functions.	Action had been taken to publish by-laws in a Gazette for other functions.

(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 respect of 06 activities to be implemented by the Sabha as per by-laws enacted.	An annual action plan should be prepared for all activities.	An annual action plan had been prepared.

(c) **Solid Waste Management**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) Expense of Rs. 563,794 had been incurred in the year under review for long term and short term projects carried out by the Sabha in respect of solid waste management. However, no revenue had been received.	Action should be taken to increase revenue and decrease expenditure.	Garbage had been disposed as natural fertilizer, thus any revenue had not been received by the Sabha.
(ii) Sanitary labourers who were employed in solid waste activities had not been subjected to medical	Sanitary labourers should be subjected to medical test properly.	Actions had been taken to subject to medical test.

test by the Sabha from time to time.

### 3.2 Management Inefficiencies

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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Fixed deposit fund valued at Rs. 76,855,377 had been deposited in the bank in order to generate interest revenue without being used for implementing development work schemes in the year under review.	Action should be taken to use for intended purposes.	Work schemes for allocated amount are being implemented and interest on fixed deposit had been used as revenue.
(b) No action had been taken to recover trade license fees for 08 telecommunication towers constructed without being obtained approval of the Pradeshiya Sabha.	Action should be taken to obtain approval and recover license fees.	Action is being taken to recover trade license fees.
(c) Reassessment had not been carried out by the Sabha for recovering assessment tax on property for over the last 10 years.	Reassessment should be carried out.	Action is being taken to carry out reassessment.
(d) A citizen charter of the general public had been displayed by the Pradeshiya Sabha. However, contrary to matters mentioned therein, services provided to general public had been delayed.	Services should be provided to the general public in due periods.	There were deficiencies in documents provided by the general public, thus delays had been occurred in this situation.

### 3.3 Human Resources Management

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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
It was observed in audit that the Sabha had not recruited and deployed	Staff should be appointed in equal	Action had been taken to <b>close vacancies</b> .

human resources properly. As a manner to result, works to be completed by such approved cadre. 16 human resources had been delayed.

**3.4 Operating Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
It was mentioned that the Sabha should issue “K” form to the owners of the properties to recover rates and taxes annually. However, “K” form had not been issued for properties of the Sabha in the year 2018.	Actions should be taken to issue “K” forms in due periods.	Respective action will be taken in future periods.

**3.5 Assets Management**  
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**3.5.1 Assets not acquired**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Ownership of 03 vehicles being used by the Sabha had not been transferred to the Sabha.	Ownership of the vehicles should be transferred.	Continuous actions are being taken to transfer ownership of the 03 vehicles.

**3.5.2 Idle Assets**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Three vehicles of the Sabha had remained idle for a period from 2 to 9 years without being used for intended purposes.	Actions should be taken to use vehicles.	Action will be taken to sell unusable vehicles by auction and repair other vehicles.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
(a) When comparing the budgeted recurrent expenditure and actual recurrent expenditure of the Sabha, a favourable variance of Rs. 16,661,025 was incurred.	Respective actions should be taken to plan the budget properly.	Not replied.
(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.	Certain expenses had been decreased in comparing with last year, thus this saving had been incurred.