

**Karainagar Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 14 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 May 2019 and 31 October 2019 respectively.

1.2 Qualified Opinion

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 Karainagar 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

(a) Accounting Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
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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.	Not replied.

(b) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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Value of 03 cemeteries belonging to the Sabha had not been assessed and included in the accounts.	Values of the cemeteries should be included in the financial statements.	Action will be taken to assess the value of the cemeteries and include in the financial statements.

1.4 Non-compliances

1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
(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 instruction of said Act.	Performance report had been prepared. However, it had not been attached with the financial statements.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988			
(i) Section 32 of Chapter III	There were 8,707 properties under the purview of the Pradeshiya Sabha. However, Assessment of tax on properties had not been made by the Sabha up to now.	Assessment of tax on properties should be made.	Assessment of properties had not been completed by the Department of Valuation.
(ii) 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.	A statement including explanation for variances by comparing details of actual revenue and expenditure for the year under review with the budget should be prepared.	A statement comparing with the budget had been prepared.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 371	Advances valued at Rs. 215,928 paid by the Sabha had not been settled.	Advances should be settled as per financial regulations.	Action had been taken to settle advances of Rs. 215,928.
(d) Provincial Financial Rule No. 288	A sum of Rs. 2,138,000 had been received by the Sabha from Britain Welfare Society as a donation without approval of the Chief Secretary.	Relevant approval should be obtained from Provincial Treasury.	Fund had been received as per Pradeshiya Sabhas Act and the decision of the Sabha. However, relevant approval will be obtained in future

periods.

1.4.2 Noncompliance with Tax Requirements

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) According to the matters stated in Section 20 of the Value Added Tax Act No. 14 of 2002 issued by the Department of Inland Revenue and Procurement Guideline 5.4.11, a sum of Rs. 785,068 had been paid to the suppliers as Value Added Tax. However, "Receipt of Value Added Tax" had not been received and informed to the Department of Inland Revenue and Auditor General.	An amount to be paid to the department of Inland Revenue should be settled.	Action had been taken to forward details of Value Added Tax which was paid to the contractors, to the Department of Inland Revenue and National Audit Office.
(b) 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 lands as per Pradeshiya Sabhas Act.	Action will be taken after assessing properties.

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. 9,934,011 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 9,186,097.

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
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	10,000	-	10,060	-	10,000	-	6,750	-
Rentals	2,202,200	-	2,024,131	-	2,402,000	-	2,775,481	-
License Fees	269,975	-	328,170	-	256,800	-	289,339	-
Other Revenue	29,638,381	-	33,331,107	-	30,752,724	-	29,705,071	-
	32,120,556	-	35,693,467	-	33,421,524	-	32,776,641	-

❖ Billed revenue had not been presented to audit.

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
Collected revenue for the year 2017 was Rs. 32,776,641. However, collected revenue for the year 2018 was increased as Rs. 35,693,467, thus performance of revenue collection for the year 2018 had been increased by Rs. 2,916,826 as compared with the year 2017. However, billed revenue and no arrears in the statement of financial position as at 31 December could not be verified.	Billed revenue should be verified.	Action will be taken to bill and collect revenue in future periods.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
Development works had been carried out by the Sabha for 05 cemeteries of the Sabha. However, approval had not been	Action should be taken to recover cemetery tax.	Action will be taken to recover cemetery tax.

obtained for cremation of body and tax thereon had not been recovered by the Sabha.

2.2.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
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Court fines and stamp fees totalling Rs. 494,704 and Rs. 5,416,868 respectively 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.	Actions had been taken to recover arrears of Court fines and stamp fees totalling Rs. 85,000 and Rs. 5,200,597 respectively.

3. Operating Review

3.1 Performance

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

Audit Observation	Recommendation	Comment of the Accounting Officer
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By-laws had been enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabhas Act. However, all functions had not been implemented.	An annual action plan should be prepared for 30 functions.	Action will be taken to implement all by-laws.

(b) Action Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
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An annual action plan had not been prepared in respect of 30 activities to be implemented by the Sabha.	An annual action plan should be prepared for 30 functions.	Action will be taken to prepare an annual action plan.

(c) **Failure to make Provision**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
As per action plan prepared by the Sabha for project, out of 21 activities to be implemented by the Sabha, 05 activities only had been implemented. Other activities had been implemented by changing as per recommendation of the Sabha.	All activities to be implemented should be implemented.	Twenty one projects had not been implemented due to non-receiving fund.

(d) **Failure to achieve expected Outcomes**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Expected output had been achieved through spending a sum of Rs. 12,230,000 for performance of traditional restaurant and children park activities which were mentioned in the action plan. However, expected outcomes could not be achieved.	Expected outcomes of said action plan should be achieved.	Traditional restaurant and children park are being functioned.

(e) **Delays in executing Activities**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Reconstruction work of Thillai cemetery estimated at Rs. 2,000,000 had been started on 05 October 2018. However, it had not been completed. Reasons for period extension could not be accepted.	Action should be taken to complete activities in due period.	Delay was incurred due to the weather condition.

(f) Solid Waste Management

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) The daily collection of garbage had not been cut in to pieces and covered with soil.	Solid wastes should be cut in to pieces and covered with soil without affecting the environment.	Garbage had been collected, segregated and sold and others had been buried in to the ground.
(ii) Solid wastes had been collected without being segregated in terms of national policies.	Solid wastes should be segregated and collected.	Action will be taken to implement solid waste management in terms of national policies in future periods.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
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 implemented.	The reports to be prepared by the Local Government Assistant should be presented on due periods.	Those works will be completed as soon as appointed a Local Government Assistant to the Sabha.

3.3 Human Resources Management

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 08 human resources had been delayed.	Staff should be appointed in a equal manner to the approved cadre.	Actions had been taken to fill such vacancies.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
No action had been taken by the Sabha to settle a sum of Rs. 1,016,038 to be paid to sundry credit supplier	Action should be taken to settle the amount to be paid to the sundry credit supplier	It will be settled as soon as obtained fund.

3.5 Assets Management

3.5.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
Vehicle bearing No. WP JR 7318 used by the Pradeshiya Sabha had remained in repairable condition since 2012. However, no action had been taken by the Sabha to repair it.	Action should be taken to repair repairable vehicles.	Respective action will be taken.

3.5.2 Assets not acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
No action had been taken to transfer ownership of 01 vehicle valued at Rs. 6,390,000 being used by the Sabha, to the Sabha.	Action should be taken to transfer ownership to the Sabha.	The vehicle Numbered WPPF 7712 had been obtained on lease, thus ownership will be transferred after ended lease period.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
A procurement plan for the year under review should be prepared by the Pradeshiya	A procurement plan should be prepared as per an approved format.	Action is being taken to prepare a procurement plan for services.

Sabha for the activities of supplies and services. However, a procurement plan had not been prepared for services.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>Expenditure of the Sabha such as personnel emoluments, interest payments, dividends, bonus and grants had been as favourable and expenditure such as travel expenses, repair and maintenance of capital assets, loading and unloading, continuous utility services and other services, supplying goods and requisite goods, aid funds, assistant funds, pensions, retirement benefits and gratuity had been as adverse.</p>	<p>Respective actions should be taken to plan the budget properly.</p>	<p>Due to increase of per cent of personnel emoluments</p>