

Karainagar Pradeshiya Sabha,

Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 12 March 2013 and the financial statements for the preceding year had been presented on 11 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 10 September 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Karainagar Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Karainagar Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The accounting deficiencies observed in the financial statements in respect of assets and liabilities are shown in the following table.

| Effect on the Financial Statements | Assets | | Liabilities | |
|---|-------------------------|------------------|-------------------------|------------------|
| | No. of Instances | Value Rs. | No. of Instances | Value Rs. |
| Understatements | 01 | 15,725,673 | - | - |
| Overstatements | 01 | 397,966 | 01 | 78,510 |

1.3.2 Lack of Evidence for Audit

Five transactions totalling Rs. 14,236,343 could not be satisfactorily vouched in audit due to the non - submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year under review amounted to Rs. 566,913 as against the excess of recurrent expenditure over revenue amounting Rs. 16,010,971 for the preceding year.

2.2. Financial Control

The budget had not been properly prepared and as such a difference of Rs. 3,167,756 between the actual revenue and the budgeted revenue and a difference of Rs. 2,414,598 between the budgeted expenditure and the actual expenditure were observed in audit.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue.

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is given below.

| Item of Revenue | Estimated | Actual | Cumulative Arrears as at 31 December |
|------------------------|--------------------------|--------------------------|---|
| ----- | ----- | ----- | ----- |
| | Rs. 000' | Rs. 000' | Rs. 000' |
| Rates and Taxes | 41 | 43 | - |
| Lease Rent | 312 | 242 | - |
| Licence Fees | 208 | 160 | - |
| Other Revenue | 16,651 | 13,599 | 2,806 |
| Total | ----- 17,212 ----- | ----- 14,044 ----- | ----- 2,806 ----- |

2.3.2 Loss of Revenue

Assessment tax within the area of the Sabha had not been estimated and recovered. Therefore, the Sabha had deprived of a significant amount of revenue.

2.3.3 Court Fines

No action had been taken to recover the court fine and penalties amounting to Rs.204,833 and Rs.796,500 respectively imposed under various ordinances during the period from July to December 2011 and for the year 2012.

2.3.4 Stamp Fees

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- (a.) No action had been taken to recover the Stamp fees receivable amounting to Rs.1,801,605 for the period from January to June 2012 from the Register General of Lands.
 - (b.) Stamp fees schedule for the period from July to December 2012 had not been obtained from the Register General of Lands and brought to account.

2.4 Assets Management

2.4.1 Accounts Receivable

Advance Rs. 10,000,000 paid from the Sabha fund for Pura Neguma Capital grants reimbursement had not been settled up to the date of this report.

2.4.2 Non-moving Current Assets

Electricity deposit to the value of Rs. 1,500 made in the year 2009 shown as non movable current assets up to the date of this report.

2.4.3 Unverified Assets

Assets had been accounted as, Rs. 24,170,178 at book value without being confirmed by the Board of Survey Report as at 31 December 2012. Details are as follows.

| <u>Details</u> | <u>Amount</u> |
|----------------|-------------------|
| | <u>Rs.</u> |
| Fixed Assets | 21,364,251 |
| Stores Items | 2,805,927 |
| | ----- |
| | 24,170,178 |
| | ===== |

2.4.4 Utilization of Vehicles

The revenue licence and insurance coverage had not been obtained for the 08 vehicle utilized by the Sabha. Details are given below.

| Details | Nos. |
|----------------------------|-------------|
| Four wheel tractor | 02 |
| Four wheel tractor tailor | 01 |
| Two wheel tractor | 01 |
| Two wheel tractor tailor | 01 |
| Four wheel tractor dowsers | 03 |
| | ----- |
| | 08 |
| | ----- |

2.5 Non-compliances with Laws, Rules and Regulations etc.

Non-compliances with the provisions of the following laws, rules, regulations and management decisions were observed during the course of audit.

| Reference to Laws, Rules Regulations and Management Decisions | Non - compliance |
|---|---|
| ----- | ----- |
| (a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 ----- | |
| (i) Section 4 of Chapter II | A register of assessment had not been maintained by the Sabha relating to assessment tax and taxes had not been received by the Sabha. |
| (ii) Section 81 of Chapter III | Action had not been taken in every quarter for settlement of stamp duty and refund of penalties. |
| (iii) Section 140 of Chapter V | Action had not been taken by the Secretary on settlement of advance amounting to Rs.10,530,000 on due dates. |
| (b) Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- | |
| Section 7.2 of Chapter X | Approval of the Minister or Secretary to the Ministry had not been obtained in respect of overtime amounting to Rs. 89,465 paid for more than 80 hours. |
| (c) Public Administration Circular No. 12/2000 dated 20 January 2012 | Training allowance for Technical College trainees for current year had been under paid by Rs. 90,400. |

2.6 Operating Inefficiencies

The following observations are made.

- (a) Provision of Rs. 82,494 made under sundry creditors for the amount payable for the construction of head office building and the community centre had not been paid over five years.
- (b) A provision of Rs. 5,288,478 had been made under sundry creditors for capital works carried out during the under review. But it had not paid up to the date of this report. Details are given below.

| Details of works | Amount |
|---|------------------|
| ----- | ----- |
| | Rs. |
| Construction of a common tube well- PSDG | 952,000 |
| Rehabilitation of Kovalam- Maruthapuram- Puraneguma | 4,336,478 |
| | ----- |
| | 5,288,478 |
| | ----- |

- (c) Environment tax and retention money amounting to Rs. 149,839 had been kept in the deposit account without being paid to the respective parties up the date of this report.

2.7 Abandoned Projects

Although a sum of Rs.84,340,000 had been allocated for the implantation of seven projects, the projects had not been implemented during the year under review. Details are as follows.

| Details of Projects | Funding Agent | Budgeted amount |
|--|---------------|-----------------|
| ----- | ----- | ----- |
| | | Rs. |
| Rehabilitation of Thoppukadu Vairawar Kovil Road | NELSIP | 20,000,000 |
| Rehabilitation of Veempady Road | NELSIP | 15,000,000 |
| Rehabilitation of Casuarinas Beach Tourist Point | NELSIP | 6,340,000 |
| Rehabilitation of Head Office Building | CBG | 10,000,000 |
| Shopping Complex | CBG | 10,000,000 |
| Rehabilitation of Manarkadu Kovil Road | PSDG | 18,000,000 |
| Rehabilitation of Weerakulam Aaldy Road | PSDG | 5,000,000 |
| | | ----- |
| | | 84,340,000 |
| | | ----- |

2.8 Internal Audit

Adequate internal audit had not been carried out by the Sabha.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a.) Revenue Collection
- (b.) Fixed Assets
- (c.) Accounting
- (d.) Utilization of Vehicles
- (e.) Budgetary Control