

**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 28 March 2016 and the financial statements for the preceding year had been presented on 19 May 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 27 September 2016.

**1.2 Qualified Opinion**

-----

In my opinion except for the effect of the matters referred to in paragraph 1.3 of this 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<sup>st</sup> December 2015 and the financial result of its operations and cash flow for the year then ended.

**1.3 Comments on Financial Statements**

-----

**1.3.1 Accounting Deficiencies**

-----

Court fines aggregating to Rs 326,416 had not been shown in the financial statement as receivables. As a result revenue generated by the sabha of the year under review had been understated.

**1.3.2 Receivable.**

-----

Action had not been taken to settle the advance amounting to Rs. 16,765 within the financial year.

**1.3.3 Lack of Evidence**

-----

Four transactions valued at Rs 587,104 could not be vouched in audit due to non rendition of necessary information for audit.

### **1.3.4 Non Compliance with Laws, Rules and Regulations etc**

---

The following instances of non-compliance with laws, rules, regulations were observed.

<b>Reference to Laws, Rules and Regulations etc</b>	<b>Non Compliances</b>
<hr/>	<hr/>
Financial Administration Rules of Pradehya Saba 1988	
(a) Rule No. 5 Chapter II	Security deposit had not been obtained from the officers who are responsible for dealing with cash and stores.
(b) Rule No. 32 Chapter III	A register of assessment tax had not been maintained by the sabha.

## **2 Financial Reviews**

---

### **2.1 Financial Results**

---

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs 4,865,497 as compared with the excess of revenue over recurrent expenditure amounting to Rs 4,913,151 for the preceding year. As a result revenue over recurrent expenditure had been decreased by Rs. 47,654 due to increased in expenditure.

### **2.2 Working Capital**

---

According to the financial statement presented working capital of the Sabha for the year under review was Rs 28,411,441 as compared with the working capital of the preceding year amounting to Rs 31,584,811. As a result working capital had been decreased by Rs 3,173,370.

### **2.3 Revenue Management**

---

#### **2.3.1 Performance of Revenue collection**

---

As per information furnished by the Secretary, estimated revenue, actual revenue and the arrears of revenue in respect of the year under review are given below.

Item of Revenue	Estimated	2015	
		Actual	Accumulated arrears as of 31 December
	Rs '000'	Rs '000'	Rs '000'
Rates and taxes	50	17	-
Lease Rent	278	649	-
Licence fees	227	219	-
Other Revenue	19,430	18,541	7,311
	<b>19,985</b>	<b>19,426</b>	<b>7,311</b>

### 2.3.2 Rates and taxes

Rating assement of the property within the area of sabha had not carried out over 25 years.

### 2.3.3 Stamp Fees

Stamp fees Rs 11,722,957 receivable for the period from the year 2011 to the year 2015 had not been received from the Registrar General of lands .

## 3 Operating Review

### 3.1 Operating Inefficiencies

Eventhough head office building works of the sabha had been commenced at a cost of Rs. 2,019,602 the building had not been completed during the year under review.

### 3.2 Solid Waste Management

Solid waste management had not been implemented properly within the area of the sabha.

## 4 Accountability and Good Governance

### 4.1 Budgetry Control

Differences from Rs. 770 to Rs. 2,869,041 had been observed between budgeted expenditure and actual expenditure due to improper preparation of budget.

### 4.2 Internal Audit

Internal audit activities were not operated effectively.

### **4.3 Audit and Management Committee Meeting**

-----

Audit and management committee meeting had not been conducted.

### **4.4 Management of Assets**

-----

- (a) Five vehicles had been remained idle in the sabha.
- (b) Action had not been taken to transfer the ownership of 15 vehicles belong to the sabha.

### **5 Systems and Controls**

-----

Special attention is needed on the following areas of controls.

- (a) Collection of Revenue
- (b) Vehicle Utilization
- (c) Budget