

Karainagar Pradeshiya Sabha
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 27 March 2017 and the financial statements for the preceding year had been submitted to audit on 28 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 17 July 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 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 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies to be adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The ownership of pickup vehicle being used by the Sabha and valued at Rs. 6,390,000 had not been transferred. However, value thereon had been brought to accounts, thus the value of the motor vehicles had been overstated by Rs. 6,390,000 in the accounts.
- (b) The ownership of six vehicles of the Sabha had not been transferred to the Sabha and values thereon had not been evaluated and brought to accounts, thus the value of the motor vehicles had been understated in the accounts.
- (c) Stamp fees of Rs. 5,422,220 receivable from the Registrar General of Lands for the period from the year 2011 to the year 2013 had not been shown in the accounts, thus accumulated fund had been understated by Rs. 5,422,220 in the financial statements

1.3.3 Receivable Account

Advances of Rs. 1,423,230 paid by the Sabha from the year 2015 to the year 2016 had not been settled up to now.

1.3.4 Non-maintenance of Registers and Books

Registers such as register of land and building, register of measurement sheets and register of tax on land sales had not been maintained by the Sabha.

1.3.5 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliances
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(a) Pradeshiya Sabhas Act No. 15 of the year 1987 No. 148 (1)	The tax on any vehicles and animals is authorized to impose by the Pradeshiya Sabha. However, tax on those vehicles and animals had not been recovered at the specified rates.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1989 Rule 32 of Chapter III	The register in respect of assessment tax on property had not been maintained by the Sabha and assessment tax on property had also not been recovered.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 381(3)	Security money had not been paid by the officers who were given authority to place the signatures in the cheques.
(d) Financial Rules of the Northern Province Financial Rule 107	Expenditure of Rs. 494,074 for transactions had not been certified.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year under review had resulted in an excess of income over recurrent expenditure of Rs. 5,992,332 as compared with the corresponding excess of income over recurrent expenditure of Rs. 4,865,497 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 1,126,835 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs. 3,191,222 as compared with the corresponding net surplus of Rs. 721,570 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 2,469,652 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 31,453,460 as compared with the corresponding working capital of Rs. 28,411,441 for the preceding year, thus indicating an improvement in the working capital by Rs. 3,042,019 for the year under review.

2.4 Revenue Administration

2.4.1 Performance of Revenue Collection

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Secretary are given below.

Item of Revenue	Estimated	2016	
		Actual	Cumulative Arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	20	8	-
Lease Rents	1,737	1,735	-
License Fees	267	265	-
Other Revenue	30,464	27,317	9,650
Total	32,488	29,325	9,650
	=====	=====	=====

2.4.2 Assessment tax on Property

Assessment had not been carried out for the properties under the purview of the Sabha, thus assessment tax on property had not been recovered up to now.

2.4.3 Other Income

Cemetery tax had not been recovered by the Sabha for five cemeteries situated under the purview of the Sabha.

2.4.4 Stamp fees

Stamp fees receivable of Rs. 11,689,594 for the period from the year 2011 to the year 2016 had not been recovered up to the date of this report.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Approved cadre of the Sabha was 45. However, 37 staffs had been deployed in the service, thus shortages and excess in the cadre were 09 and 01 respectively.
- (b) At least 04 Audit and Management Committee meetings should be conducted for a year in order to carry out the activities of the Sabha efficiently. However, 03 Audit and Management Committee meetings had only been held in the Sabha during the year under review.

3.2 Underutilized Assets

A tractor, a motor cycle and a roneo machine had remained idle in the Sabha.

3.3 Waste Management

Wastes had been collected and dumped without being separated.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 1,169 to Rs. 3,108,127 between the budgeted expenditure and actual expenditure were observed in audit.