

**Kayts 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 2016 had been submitted to audit on 27 March 2017 and the financial statements for the preceding year had been submitted to audit on 24 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 31 August 2017.

**1.2 Qualified Opinion**

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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 Kayts 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**

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**1.3.1 Accounting Policies**

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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**

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The following matters were observed.

- (a) Provision for pension had not been made for a sum of Rs. 3,686,170 payable to the Director General of Pensions for pensions and pensionable benefits of the officers of local government service in 2015, thus the accumulated fund had been overstated in the accounts.
- (b) A sum of Rs. 96,946 payable for pensions and pensionable benefits of the officers of local government service in the year under review had not been brought to income and expenditure account. As such, expenditure had been understated.
- (c) Ownership of sixteen vehicles issued as donation and valued at Rs. 28,167,600 had not been transferred to the Sabha. However, values thereon had been brought to accounts, thus the value of the motor vehicles had been overstated in the accounts.
- (d) Ownership of bowser lorry issued as donation had not been transferred and value thereon had not been evaluated, thus the value of the motor vehicles had been understated in the accounts.

- (e) A market building constructed at a cost of Rs. 885,000 had not been brought to accounts, thus the value of the land and buildings had been understated in the accounts.

### 1.3.3 Non-maintenance of Registers and Books

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Registers such as fixed assets register, register of land and buildings, register of losses, register of tax on land sales, register of street lights and register of business tax had not been maintained by the Sabha.

### 1.3.4 Non-compliances with Laws, Rules and Regulations

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The following instances of non-compliance were observed.

<b>Reference to Laws, Rules and Financial Regulations</b>	<b>Non-compliances</b>
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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.
(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Rule 4 of Chapter II	Assessment had not been carried out for property and rates and taxes had not been recovered by the Sabha.
(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.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 10,363,038 as compared with the corresponding excess of income over recurrent expenditure of Rs. 3,855,756 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 6,507,282 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. 4,071,099 as compared with the corresponding net surplus of Rs. 1,022,865 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 3,048,234 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. 36,613,448 as compared with the corresponding working capital of Rs. 30,909,742 for the preceding year, thus indicating an improvement in the working capital by Rs. 5,703,706 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
	Rs. '000	Rs. '000	Rs. '000
Lease Rents	2,302	3,014	8
License Fees	347	345	-
Other Revenue	43,158	38,498	6,143
<b>Total</b>	<b>45,807</b>	<b>41,856</b>	<b>6,151</b>

### 2.4.2 Assessment tax on Property

Assessment tax on property had not been recovered by the Sabha.

### 2.4.3 Stamp fees

Stamp fees of Rs. 4,045,690 had not been recovered from the Registrar General of Lands for the period from the year 2011 to the year 2016.

### 2.4.4 Other Revenue

Cemetery tax had not been recovered by the Sabha for sixteen cemeteries.

### **3. Operating Review**

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#### **3.1 Management Inefficiencies**

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The following observations are made.

- (a) Approved cadre of the Sabha was 82. However, 61 staffs had been deployed in service. Accordingly, shortages in the cadre were 21.
- (b) A rural market valued at Rs. 885,000 had not been utilized by the general public.
- (c) 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, 02 Audit and Management Committee meetings had only been held in the Sabha during the year under review.

#### **3.2 Underutilized Assets**

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Thevaratham boat had remained idle for 03 years.

#### **3.3 Delay in Project**

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A project valued at Rs. 195,135 had not been completed.

#### **3.4 Waste Management**

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Wastes had been collected and burnt without being recycled.

### **4. Good Governance and Accountability**

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#### **Budgetary Control**

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#### **Expenditure Structure**

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Variances ranging from Rs. 110 to Rs. 9,846,152 between the budgeted expenditure and actual expenditure were observed in audit.