

**Chavakachcheri Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 11 September 2018.

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 Chavakachcheri Pradeshiya Sabha as at 31 December 2017 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 adopted in preparing the financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The values of 15 categories of 58 land and buildings belonging to the Sabha had not been assessed and brought to financial statements, thus the value of the properties had been understated in the financial statements for the year under review.
- (b) Value added tax of Rs. 726,061 to be credited to revenue had been retained in the miscellaneous deposit account, thus revenue for the year under review had been understated in the financial statements.
- (c) Advance of stall rent amounting to Rs.7,750 had been set off against arrears of stall rent totalling Rs. 152,000, thus arrears of stall rent had been understated as Rs. 144,250 in the financial statements.

1.3.3 Accounts Receivable and Payable

Accounts Receivable

- (a) Advance of members allowance totalling Rs. 33,400 paid to two members of the Sabha had not been settled for the last 03 years to 16 years.

- (b) Advances totalling Rs. 145,210 paid to the Rural Development Society for the reconstruction works of three roads had not been settled for the last 06 years even though such works had been completed.

1.3.4 Lack of Evidence for Audit

Non-presentation of Information to Audit

Arrears of advances totalling Rs. 71,845 could not be satisfactorily vouched or accepted in audit due to non-submission of required detailed schedules and confirmations.

1.3.5 Non-compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
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	Rs.	
(a) Pradeshiya Sabhas Act No. 15 of the year 1987		
(i) Section 93		The works related to the due removal at proper periods of all house refuse, and the due cleaning and emptying at proper periods of all latrines and cesspits had not been carried out by the Sabha.
(ii) Section 126(VII)(F)		Respective action had not been taken in respect of hoardings and other temporary structures and the charging of fees for any permits issued in that connection.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
Financial Regulation 571	521,716	No meaningful actions had been taken in respect of security deposits, tender deposits and contractor security deposits for over two years.
(c) Ministry of Public Administration and Management Circular		
No. 30/2016 dated 29 December 2016		Fuel consumption had not been tested for the vehicles of the Sabha for the period of one year.

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 2017 amounted to Rs. 55,767,504 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 44,710,142.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The following matters were observed.

- (a) 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	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	106,000	–	86,145	611,440	106,000	–	119,728	611,440
Rentals	14,930	–	14,385,089	165,204	14,930,100	–	11,768,598	164,779
License Fees	1,401,650	–	983,870	5,850	1,401,650	–	1,518,317	5,850
Other Revenue	19,102,820	–	38,266,309	6,445	19,102,820	–	37,669,943	16,478
	20,625,400	–	53,721,413	788,939	35,540,570	–	51,076,586	798,547

- (b) It was observed that schedules had not been issued by the Sabha in collecting rates and taxes and arrears had been accumulated based on differences between estimated revenue and collected revenue.

2.2.2 Rates and Taxes

No meaningful actions had been taken by the Sabha to recover arrears of rates and taxes totalling Rs. 554,354 for the last 01 year to 30 years.

2.2.3 Rentals

No meaningful actions had been taken by the Sabha to recover arrears of stall rent totalling Rs. 26,254 for the last 12 years.

2.2.4 License Fees

No meaningful actions had been taken by the Sabha to recover trade license fees totalling Rs. 5,850 for the year under review.

2.2.5 Court Fines and Stamp Fees

Court fines of Rs. 8,082,550 and stamp fees of Rs. 36,580,526 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Performance

According to the section 3 of the Pradeshiya Sabhas Act, the matters disclosed relating to the Sabha in control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities had been as follows.

(a) Solid Waste Management

The following matters were observed.

- (i) The daily collection of garbage had not been cut in to pieces and covered with soil.
- (ii) No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell.

3.2 Management Inefficiencies

Donation of Rs. 97,536 had been granted by the Commissioner of Local Government for the development works of the Community Centers. However, no meaningful actions had been taken by the Sabha to utilize such donation for intended purpose.

3.3 Human Resources Management

The following matters were observed.

- (a) It was observed in audit that the Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 16 human resources had been delayed.
- (b) No meaningful actions had been taken by the Sabha for the last five years to recover arrears of staff loan amounting to Rs. 8,319 from two officers who retired from the service.

3.4 Assets Management

3.4.1 Annual Board of Survey

No meaningful actions had been taken by the Sabha up to now in respect of 25 items mentioned as repairable in the report of the board of survey for the year under review.

3.4.2 Failure to hand over Assets

Three categories of vehicles being used by the Sabha had not been owned by the Sabha.

3.4.3 Idle Assets

The following matters were observed.

- (a) A tractor belonging to the Sabha had remained in unusable condition. However, no meaningful actions had been taken to change it to usable condition for the last five years.
- (b) A public market constructed at a cost of Rs. 4.4 million at Eluthumadduvaal and a public market constructed at a cost of Rs. 1.2 million at Navatkuli had remained idle without being operated them for the period of last 02 years to 04 years.

3.4.4 Failure to carry out Maintenance and Repairs

A tractor belonging to the Sabha had remained in damaged condition. However, no meaningful actions had been taken by the Sabha to repair and bring it to usable condition in the year under review.

3.5 Operating Inefficiencies

The following matters were observed.

- (a) No meaningful actions had been taken by the Sabha to grant permission for cremation of body and recover cemetery tax in 23 cemeteries.
- (b) No meaningful actions had been taken by the Sabha to carry out revaluation of properties which were in the four sub office divisions of the Sabha and recover rates and taxes for the last 10 years.

4. Accountability and Good Governance

4.1 Budgetary Control

Variiances ranging from Rs. 19,855 to Rs. 19,453,363 or from 19 per cent to 125 per cent between the budgeted revenue and actual revenue and from Rs. 4,449 to Rs. 11,139,551 or 06 per cent to 23 per cent between the budgeted expenditure and actual expenditure were observed.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

Systems

Accounting

Deficiencies

Failure to maintain register of losses, register of tax on land sales and register of vehicle.