

Karainagar 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 28 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 Karainagar 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 to be adopted in preparing the financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Payments in respect of five completed works as per strengthening work schemes of Pradeshiya Sabha had been fully paid to the contractors. However, a total sum of Rs. 1,667,456 had been included in the sundry creditors account. As such, sundry creditors balance had been overstated by Rs. 1,677,456 in the financial statements of the year under review.

1.3.3 Accounts Receivable and Payable

Accounts Receivable

- (i) No actions had been taken to settle advances totalling Rs. 1,021,132 granted by the Sabha to three contractors for four categories of reconstruction works for the last 06 months to 12 months even though such works had been completed.
- (ii) A sum of Rs. 1.68 million had to be received from the Ministry of Provincial Councils and Local Government up to now relating to five strengthening work schemes of Pradeshiya Sabha totalling Rs. 12.09 million completed in the year under review and preceding two years and it had been paid to the contractor from the fund of the Sabha.

1.3.4 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
	Rs.	
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 140 (1)		No meaningful actions had been taken to carry out reassessment of 7,800 properties for the last 28 years to 42 years.
(b) Finance circular of Northern Province No. PF/01/2017 of 07 March 2017		No actions had been taken to obtain security money from the officers who were given authority to place the signatures on cheques.

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. 9,186,097 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 5,992,332.

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			Total Arrears as at 31 December
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	10,000	-	6,750	-	20,000	-	7,900	-
Rentals	2,402,000	-	2,775,481	-	1,737,420	-	1,765,220	-
License Fees	256,800	-	289,339	-	267,010	-	265,195	-
Other Revenue	9,504,260	-	13,522,672	16,505,725	9,810,870	-	9,622,454	9,650,363
	12,173,060	-	16,594,242	16,505,725	11,835,300	-	11,660,769	9,650,363

(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 Rentals

No meaningful actions had been taken by the Sabha to recover hire charges of becko vehicle amounting to Rs. 9,000 from the contractor for the last two years.

2.2.3 Stamp Fees

Stamp fees of Rs. 4,249,095 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Solid Waste Management

No actions had been taken to chop daily collection of garbage and cover with soil.

3.2 Operating Inefficiencies

No meaningful actions had been taken to grant approval for cremation of body in five cemeteries and recover cemetery tax.

3.3 Human Resources Management

It was observed that the Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 09 human resources had been delayed.

3.4 Assets Management

3.4.1 Failure to handover Assets

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

3.4.2 Idle Assets

Six vehicles belonging to the Sabha had remained idle and no meaningful actions had been taken by the Sabha to utilize such vehicles for the last 05 years.

4. Accountability and Good Governance

Budgetary Control

Variances ranging from Rs. 3,250 to Rs. 5,823,399 or from 33 per cent to 92 per cent between the budgeted revenue and actual revenue and from Rs. 3,171 to Rs. 5,232,910 or 01 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 measurement sheets and register of tax on land sale.