

**Kayts 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 27 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 19 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 Kayts 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 observations are made.

- (a) Ownership of twenty-two properties valued at Rs. 50,070,600 had not been transferred to the Sabha. However, values thereof had been included in the financial statements, thus the value of the land and building had been overstated in the financial statements of the year under review.
- (b) Twelve vehicles valued at Rs. 15,872,600 issued to the Sabha as donation had not been owned by the Sabha. However, values thereof had been brought to financial statements, thus the value of the motor vehicles had been overstated in the financial statements of the year under review.

1.3.3 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

Non-compliances

(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Rule 4 of Chapter II	Assessment of property and recovery of assessment tax had not been made by the Sabha in the year under review.
(b) Ministry of Public Administration and Management Circular No. 30/2016 of 29 December 2016	Fuel consumption had not been tested for 09 vehicles of the Sabha for the period of last one year.
(c) Public Administration Circular No. 13/2008 of 26 June 2008	No action had been taken to submit daily running charts of vehicle to audit before 15 th of the following month.
(d) Finance circular of Northern Province No. PF/01/2017 of 07 March 2017	Security money had not been obtained from the officers who were given responsibility administratively or as per delegation of authority to obtain money and store goods or to keep them in safe custody.

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. 7,191,680 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 10,363,038.

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.
Rentals	3,625,559	–	2,677,922	6,266	2,302,000	–	3,013,593	8,450
License Fees	376,000	–	322,999	-	347,000	–	345,203	-
Other Revenue	6,769,400	–	9,112,957	6,418,520	6,846,100	–	11,400,805	6,142,690
	10,770,959	–	12,113,878	6,424,786	9,495,100	–	14,759,601	6,151,140

- (b) Assessment of rates and taxes had not been carried out by the Sabha over the last 05 years, thus revenue had not been scheduled.

2.2.2 Stamp Fees

Stamp fees of Rs. 362,400 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.

Delays in Performance of Functions

A state land in extent of 0.3572 hectare had been allocated to the Sabha for constructing shopping complexes at Grama Officer division of J/49. However, it was observed delays in taking actions to transfer ownership to the Sabha

3.2 Human Resources Management

It was observed in audit that the Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 21 human resources had been delayed.

3.3 Operating Inefficiencies

No meaningful actions had been taken by the Sabha to recover cemetery tax for cremation of body in sixteen cemeteries belonging to the Sabha for over the last 05 years.

3.4 Assets Management

Underutilized Assets

The following matters were observed.

- (a) Thevaratham boat belonging to the Sabha had remained idle at Kayts harbour area for the period of 04 years without being utilized.
- (b) It was observed that 03 stalls located in upper floor area of new market shopping complex at Kayts belonging to the Sabha had remained idle for the last 10 years.

4. Accountability and Good Governance

Budgetary Control

Variances ranging from Rs. 36,995 to Rs. 2,699,801 or from 46 per cent to 78 per cent between the budgeted revenue and actual revenue and from Rs. 2,064 to Rs. 10,996,637 or 0.39 per cent to 29 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	Deficiencies
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Assets	Failure to maintain register of fixed assets.