

**Karachchi Pradeshiya Sabha
Kilinochchi 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 have been forwarded to the Chairman on 24 August 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 Karachchi 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

The following matters were observed.

- (a) Inventories in the store as at the end of the year under review had been undervalued by Rs. 261,940. As such, annual profit of the Sabha had been understated by Rs. 261,940.
- (b) Arrears of revenue totalling Rs. 54,700 to be obtained for the works carried out by the Sabha by using motor grader had not been brought to financial statements. As such, profit for the year under review had been understated.

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	Value	Non-compliances
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	Rs.	
(a) Establishment Code of the Democratic Socialist Republic of Sri Lanka Section 4 of Chapter XXIV	405,009	No actions had been taken to recover arrears of distress loan and festival advance paid to 09 officers who were vacated their posts for the last 01 year to 07 years.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulations 502 and 507		A register of fixed assets had not been maintained.
(ii) Financial Regulation 571	852,217	No meaningful actions had been taken by the Sabha relating to 29 lapsed deposits for over the last two years.

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. 85,704,856 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 67,364,113.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated 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.
(i) Rates and Taxes	200,000	-	-	-	150,000	-	-	-
(ii) Rentals	32,180,000	-	39,038,907	3,903,276	33,958,960	-	33,096,769	3,280,826
(iii) License Fees	5,406,000	-	6,646,677	-	6,019,700	-	5,705,812	-
(iv) Other Income	24,032,870	-	35,125,894	31,952,585	25,150,400	-	44,610,207	30,445,168

3. Operating Review

3.1 Human Resources Management

The following matters were observed.

(a) Vacancies and Excesses in Cadre

Approved and actual cadre of the Sabha as at 31 December 2017 was 114 and 102 respectively. As a result, 12 vacancies in the cadre had not been filled and as such works to be performed by such staffs had been affected Further, 04 excess staffs had been deployed.

(b) Staff Loans

No meaningful actions had been taken to recover arrears of staff loans totalling Rs. 405,009 in respect of 09 officers who were vacated their posts for the last 01 year to 07 years.

3.2 Delays in Projects

Six capital work schemes estimated at a value totalling Rs. 1,817,682 had not been implemented properly in the year under review. As such, provision thereof had been transferred to sundry creditors account.

4. Accountability and Good Governance

4.1 Budgetary Control

Variations ranging from Rs. 200,000 to Rs. 20,614,925 or from 100 per cent to 198 per cent between the budgeted revenue and actual revenue and from Rs. 145,122 to Rs. 9,199,465 or 17 per cent to 58 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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|--------------------------------|---|
| (a) Accounting | Failure to maintain assessment register in respect of assessment tax on property |
| (b) Assets/ Property | (i) Failure to make use 12 vehicles which remained idle.

(ii) Thirty vehicles not belonging to the Sabha had been used for over the last 05 years to 10 years. |
| (c) Human Resources Management | Failure to recruit for the vacancies in the cadre properly. |