

**Karachchi Pradeshiya Sabha
Kilinochchi District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 June 2020 and 18 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section 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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Comments of the Accounting Officer	Recommendations
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(i) Fixed deposit interest of Rs. 10,132,127 for the year under review had been shown as accumulated fund without being shown as other revenue in the financial statements, thus revenue had been understated in the financial statements	Account system will be adopted in order to avoid these errors in ensuing periods.	Fixed deposit interest should be shown as revenue in the financial statements.
(ii) Tractor trailers procured at Rs. 950,000 in the year under review had not been shown as asset in the financial statements, thus the value of the assets had been understated.	It will be shown as asset in this year.	It should be shown as asset in the financial statements.
(iii) Arrears of solid waste charge and three-wheeler parking charge	It had not been shown as arrears up	Arrears of revenue should be shown in

amounting to Rs. 1,597,500 to now. It will be the financial receivable in the year under review shown as arrears in statements. had not been shown as revenue in the financial statements, thus revenue and receivables had been understated in the accounts. ensuing periods.

(b) Lack of written evidences for Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
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Confirmations and documents for confirming the loan balance of Rs. 2,274,789 to be paid to the local loan development fund had not been submitted to audit, thus it could not be verified the payable loan amount.	At present, the Sabha does not have any documents for those loans which were obtained and a request had not been made by the fund to pay the arrears up to now.	Evidences should be submitted to audit in due period.

1.4 Non-compliances

1.4.1 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 and Regulations	Observations		Comments of the Accounting Officer	Recommendations
	Value	Non-compliances		
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	Rs.			
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) 128 (o)	19,130	Revenue license of the vehicle should be renewed annually. Fines had been paid for renewal delay.	Fines had been paid when transferring Ownership of vehicles which ownership had not been transferred for long term.	Action should be taken in terms of financial regulation.
(ii) 571	790,311	No meaningful action had been taken in respect of 12 lapsed deposits for over two years.	Action will be taken to rectify the shortcomings of works which had not been rectified, from retention money deposits.	Action should be taken in terms of financial regulation.
(b) Section 169-173 of Chapter (VIII) of the Gazette Notification of the Democratic Socialist Republic of Sri Lanka of the year 1989.	1,400,000	Work scheme of suspension bridge construction had been executed without being prepared estimate measurement showing detailed measurement of the work.	It had been completed now and contracts had been signed properly.	Action should be taken in terms of Gazette Notification.

(c)	No. 165 of Section 16 of Chapter VII of the Gazette Notification of the Democratic Socialist Republic of Sri Lanka of 17 April 1989.	-	Main register had not been prepared by the Sabha in respect of revenue, expenditure, advances, loans, fixed deposits and related accounts	Main register is being maintained now.	Action should be taken in terms of Gazette Notification.
(d)	3.2 of State Finance Circular No. 01/2012 of 05.01.2012 and Circular No. 02/2015(1) of the Commissioner of Local Government	45,649,565	Capital works had been given to the community centers by the Chairman of the Sabha without being obtained approval from the Community Development Officer, Investigation Officer and Secretary of the Sabha when handing over the works to the community based organizations.	Approval had not been obtained in a separate form. The Secretary had been signed the contract.	Action should be taken in terms of the circular.
(e)	3.4 of State Finance Circular No. 01/2012	14,042,903	Twenty capital works had not been given to the community centers situated under the purview of the Sabha.	Work schemes had been given to a community centre of another division as community centre of a division was not in an active condition.	Action should be taken in terms of the circular.
(f)	Section 159 of Pradeshiya Sabhas Act No. 15 of 1987.	14,103,676	A written warrant had not been issued by the Secretary of the Sabha to recover receivable rent and fees.	A sum of Rs. 7,141,355 had been received up to 31 May 2020. Action is being taken to recover the balance.	Action should be taken in terms of the Act.
(g)	Provincial Financial Rule No. 163.3(ii) of 2008 of Northern Provincial Council of the Democratic Socialist Republic of Sri Lanka	1,107,088	Advance payments had not been settled in due period.	Action will be taken to settle them.	Actions should be taken in terms of Financial Rule.
(h)	Section 5 of Widowers and Orphans Pension Act No. 24 of 1983	-	Widowers and Orphans Pension Scheme numbers had not been obtained for 04 officers of the Sabha.	Three officers are over 45 years old. One officer had not submitted a copy of national identity card.	Action should be taken in terms of the Act.

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 2019 amounted to Rs. 50,583,351 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 77,734,689.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Collected 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		2019			2018		
		Estimated Revenue	Collected Revenue	Total Arrears as per Statement of Financial Position as at 31 December	Estimated Revenue	Collected Revenue	Total Arrears as per Statement of Financial Position as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	5,000,000	11,375,718	-	1,000,000	-	-
(ii)	Rentals	44,716,532	47,070,703	5,130,991	31,960,000	38,669,757	5,932,692
(iii)	License Fees	17,651,360	9,120,787	-	5,362,000	7,230,545	-
(iv)	Other Revenue	30,944,423	24,919,932	8,972,685	28,482,600	58,770,789	42,193,973
		98,312,315	92,487,140	14,103,676	66,804,600	104,671,091	48,126,665

2.2.2 Performance in Collection of Revenue

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) No meaningful actions had been taken by the Sabha to bill and collect its revenue for over the last 10 years.	Details of Institution which involve in trade activities under the purview of the Sabha are being scheduled and 100 per cent of recoveries had not been included in the budget. Action will be taken to recover.	Revenue should be billed and recovered.
(b) No actions had been taken to recover arrears of revenue amounting to Rs. 1,468,672 receivable by the usage of motor grader and roller for the last 2 years.	Action is being taken to recover.	Action should be taken to recover arrears of revenue in due periods.
(c) As a beef stall had been given by public auction without calling tender again, financial loss of Rs. 2,855,000 had been incurred.	Attendance report had not been signed. A compliant had not been received from the bidder.	Action should be taken by avoiding financial loss.

2.2.3 Rents and Leases

Audit Observation	Comment of the Accounting Officer	Recommendation
No meaningful actions had been taken to recover arrears of rents and leases amounting to Rs. 3,812,717 for over one year.	Actions are being taken to file cases.	Action should be taken to recover arrears.

2.2.4 Court Fines and Stamp Fees

Audit Observation	Comment of the Accounting Officer	Recommendation
Court fines and stamp duties of Rs. 2,003,770 and Rs. 3,697,633 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Stamp duties and Court fines of Rs. 1,828,472 and Rs. 3,697,633 respectively had been received.	Action should be taken to recover arrears in due period.

3. Operating Review

3.1 Performance

The matters observed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

(a) By-Laws

Audit Observation	Comment of the Accounting Officer	Recommendation
By-laws were required to be enacted for 33 main functions in terms of Section 126 of the Pradeshiya Sabhas Act. However, any by-laws had not been enacted for any function even as at 31 December 2019.	By-laws had been published for 33 main functions in terms of Section 126 in the Gazette Notification No. 1952/16 of 22 February 2016 of the Chief Minister's Ministry of the Province and it is accepted and implemented in the Pradeshiya Sabhas.	By-laws should be enacted in terms of the Act.

(b) Abandoned Activities

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Activities of 09 work plans valued at Rs. 4,185,135 budgeted in the year under review had been abandoned completely without being obtained expected outcomes.	As any preparatory activities had not been done by the contractor regarding said work plans, those contracts had been cancelled.	Work plans should be completed as per budget in due periods.

(c) Delays in executing Activities

Audit Observations -----	Comments of the Accounting Officer -----	Recommendations -----
(i) Five work schemes valued at Rs. 2,923,000 shown in the sundry creditors account had not been completed up to now even though contract period had been ended.	Final payment will be made only by following relevant procedures and rules.	Action should be taken as per contract.
(ii) Three work schemes valued at Rs. 2,040,000 shown as sundry creditors in the financial statements of the Sabha had not been commenced up to 28 May 2020 even though contract period had been ended.	Works will be given as per contract procedures by following relevant procedures in ensuing periods.	Work schemes should be completed as per contract in due periods.

(d) Solid Waste Management

Audit Observations -----	Comments of the Accounting Officer -----	Recommendations -----
(i) A solid waste categorizing system had not been adopted in respect of wastes obtaining from houses, stalls, hotels, vegetable and fruit sale centers, meat stalls, factories, hospitals, public places which are situated under the purview of the Sabha as per nature of places.	Solid waste management systems will be adopted since the year 2021.	Solid waste categorizing system should be adopted.

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| (ii) | The Sabha had not given any training to the officers in respect of waste management and medical test to be carried out annually had not been carried out for 20 sanitary labourers. | Action will be taken to carryout medical test in ensuing periods. | Waste management trainings should be given and medical tests should also be carried out annually. |
| (iii) | Daily collected wastes had not been covered by soil layers, thus there were possibility to spread mosquitos and flees and environment had been affected by bad smells. | Soil could not be spread as there was marsh with stagnating water. | Action should be taken without being affected environment. |

(e) Environmental Issues

Audit Observations -----	Comments of the Accounting Officer -----	Recommendations -----
(i) Collected wastes are burnt without being implemented different mechanism to segregate wastes, thus environment is affected.	Wastes had been segregated and arrangements had been made for selling degraded items and recycling non degraded items.	Wastes should be disposed without being affected environment.
(ii) No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes.	Mosquito oil will only be sprayed as per necessity.	Action should be taken to protect the environment.

(f) Sustainable Development Targets

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
A plan in respect of sustainable development targets had not been prepared on the basis of long term.	Any long term plans had not been prepared currently.	A long term plan should be prepared.

3.2 Management Inefficiencies

Audit Observations	Comments of the Accounting Officer	Recommendations
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(a) Penalties of Rs. 1,420,409 had not been recovered for delay period of 12 capital work schemes as per contract.	Penalties for delay had been deposited. Action will be taken by obtaining consultancy of the Commissioner of the Local Government.	Penalties for delay should be recovered as per contract.
(b) Monthly rent is being recovered for 152 stalls belonging to the Sabha by determining as per decision of the Sabha without being assessed by the Valuation Department.	Action will be taken to recover in ensuing periods.	Rent should be recovered as per valuation report of the Valuation Department.

3.3 Human Resources Management

Audit Observations	Comments of the Accounting Officer	Recommendations
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(a) Vacancies and Excesses in the Cadre ----- Approved cadre and actual cadre of the Sabha as at 31 December 2019 were 119 and 98 respectively and 21 staff vacancies had not been filled up to now.	Out of these staff vacancies, 06 vacancies will be closed. Action will be taken to fill other vacancies.	Action should be taken to fill vacancies in due period.
(b) Disciplinary Actions ----- Three officers of the Sabha had been interdicted due to disciplinary actions and no meaningful actions had been taken in this regard.	Inquiry related to one officer who involved in financial fraud had been completed and a charge sheet had also been issued. Inquiry report of other officers still had not been received.	Relevant Actions should be taken.
(c) Employees Loan ----- No meaningful action had been taken to recover festival advance amounting to Rs. 14,250 from 04 officers and distress	Employees loan are being recovered from the officers.	Arrears should be recovered in due period.

loan amounting to Rs. 322,369 from 06 officers who had resigned the post, dismissed and retired from the service for the period from 1 to 9 years in terms of Section 4 of Chapter XXIV of Establishment Code of the Democratic Socialist Republic of Sri Lanka

3.4 Assets Management

3.4.1 Failure to recording Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
Values of 40 vehicles which are being used by the Sabha had not been assessed and brought to financial statements.	It was difficult to assess the values of the vehicles not belonging to the Sabha which were issued to the Sabha as a donation.	Values should be assessed and brought to financial statements.

3.4.2 Failure to confirm the Security of the Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
Revenue license date had been lapsed for 18 vehicles of the Sabha and revenue license had not been obtained for 12 vehicles. Further, insurance cover of 13 vehicles had been lapsed and insurance cover had not been obtained for 06 vehicles.	Insurance cover had been obtained for 14 vehicles. It was difficult to obtain insurance cover for other vehicles due to non-transfer of ownership.	Revenue license and insurance cover of the vehicles should be obtained.

3.4.3 Failure in carrying out Maintenance and Repairing

Audit Observation	Comment of the Accounting Officer	Recommendation
Seven vehicles of the Sabha had been damaged and kept in unusable condition. No meaningful actions had been taken to change them to usable condition.	Repair expenses are not made for other vehicles except essential service vehicles.	Action should be taken to change the vehicles to usable condition.

3.4.4 Idle/ Underutilized Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Two parks and collective compost producing building of the Sabha valued at Rs. 11,238,788 had remained as idle for over 02 years.	----- Action is being taken to utilize it.	----- Action should be taken to earn revenue by giving for general public usage.

3.5 Procurement

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Construction work scheme of suspension bridge valued at Rs. 1,400,000 had been carried out without being calling quotations for this work scheme in terms of guideline 2.14.1 of Procurement Guideline of 2006.	----- Experts related to construction of suspension bridge had been available in the area of Kilinochchi, thus necessity of the procurement procedure had not been arisen.	----- Action should be taken as per procurement guideline.