

# Vadamarachchi South West Pradeshiya Sabha

## Jaffna District

### 1. Financial Statements

#### 1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 20 March 2014 and the financial statements for the preceding year had been presented on 20 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 November 2014.

#### 1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters referred to in paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Vadamaratchchi South West Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

#### 1.3 Comments on Financial Statements

##### 1.3.1 Accounting Deficiencies

(a) The accounting deficiencies observed in the financial statements are shown in the following table as revenue, assets and liabilities.

| Effect on Financial Statements | Revenue          |            | Liabilities      |         |
|--------------------------------|------------------|------------|------------------|---------|
|                                | No. of Instances | Value      | No. of Instances | Value   |
|                                |                  | Rs.        |                  | Rs.     |
| Overstatements                 |                  |            | 02               | 357,131 |
| Understatements                | 02               | 26,455,427 |                  |         |

(b) The value of 7 vehicles obtained had not been assessed. As such, the value of motor vehicles had been understated in the accounts.

### 1.3.2 Lack of Evidence for Audit

#### ----- Non rendition of Information for Audit -----

Two transactions valued at Rs.25,143,608 could not be vouched in audit due to lack of necessary evidence for audit.

### 1.3.3 Non-compliance

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The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

#### Reference to Laws, Rules, Regulations

#### Non-compliance

#### ----- 1988 Pradeshiya Sabha (Finance and Administration) Rules -----

Chapter V  
Section 158(1)

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The Secretary had not issued warrants to those who had not paid their arrears of assessment tax amounting to Rs.1,931,676.

#### Pradeshiya Sabha Act No.15 of 1987

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Chapter V  
Section 132

Prior approval of the ministry is required for expenditure on entertainment exceeding Rs.1,000. However, a sum of Rs.26,501 had been paid from the funds of the Sabha contravening the requirement.

Financial Regulation 234

Uncashed cheques amounting to Rs.3,710 exceeding 6 months remained in the Deposit Account without action being taken in terms of the regulation.

Financial Regulation 571

Action had not been taken in terms of the regulation with regard to deposits amounting to Rs.268,129 exceeding 2 years.

## 2. Financial and Operating Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.215,932 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.27,675.

### 2.2 Financial Control

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It was observed in audit that there was a difference of Rs.19,260,771 between the budgeted and actual revenue and a difference of Rs.8,958,962 between the budgeted and actual expenditure due to lack of proper preparation of budget.

### 2.3 Revenue Administration

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#### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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The information relating to the estimated revenue, actual revenue and the arrears of revenue, as presented by the Chairman, appear below.

| Item of Revenue      | Estimated | Actual | Accumulated Arrears as at 31 December |
|----------------------|-----------|--------|---------------------------------------|
| -----                | -----     | -----  | -----                                 |
|                      | Rs.000    | Rs.000 | Rs.000                                |
| (i.) Rates and Taxes | 644       | 123    | 1,932                                 |
| (ii.) Lease Rent     | 10,950    | 11,836 | -                                     |
| (iii.) Licence Fees  | 2,055     | 1,792  | -                                     |
| (iv.) Other Revenue  | 42,941    | 62,099 | 52,654                                |

#### 2.3.2 Revenue Management

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- (a) Legal or any other effective action had not been taken to recover arrears of revenue debtors amounting to Rs.2,210,428.
- (b) Licence fees due had not been entered in a register and entries are made as and when the fees are collected. As such, fees to be collected for the year could not be correctly ascertained.

### **2.3.3 Court Fines**

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A sum of Rs.8,602,327 had been accounted for, as revenue and receivables on behalf court fines collected under various ordinances from the Magistrates Court, Point Pedro for the period 2011- 2013. The amount recovered upto the date of this report was Rs.2,426,125.

### **2.3.4 Stamp Fees**

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Stamp fees for the years 2010, 2011, 2012 and 2013 amounting to Rs.88,623,794 was due from the Register General. This had been accounted for, as revenue. But, action had not been taken to recover it.

## **2.4 Assets Management**

### **2.4.1 Non recovery of Arrears of Staff Loans**

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Distress loan of Rs.20,500 due from an officer interdicted in 2012 had not been recovered upto end of the year under review.

### **2.4.2 Idle Vehicles**

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- (a) Four damaged vehicles of the Sabha remained in the premises of the Sabha.
  - (b) The milometer of ploughing machine (standard) had been damaged. Therefore, the sum of Rs.45,339 spent on diesel during the year under review could not be checked in audit.

### **2.4.3 Deficiencies revealed in the Annual Board of Survey report**

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A comparison of the annual board of survey report for the year 2013 with the register of stock revealed excesses of 8 items and shortages of 5 items.

## **2.5 Contract Administration**

### **2.5.1 Projects not Executed**

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The Sabha had approved 6 projects in its budget for the year under review. These had not been executed. Although a sum of Rs. 8 million had been allocated for capital work by the Sabha, the work had not been classified.

### **2.5.2 Work carried out without Approval**

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The Sabha had carried out the Nelliady public market and the head office constructions by spending Rs.845,258 from the funds of the Sabha. There was no approval for these work in the budget of the Sabha.

### **2.6 Operating Inefficiencies**

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The Commissioner of Local Government had granted Rs.10,300 during 2007-2009 for improvement of community centres. This had not been used upto the date of this report.

### **2.7 Solid Waste Management**

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Garbage collected had been destroyed by setting fire. Action had not been taken to manufacture compost fertilizer or to recycle the garbage.

## **3. Systems and Controls**

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Special attention is needed in respect of the following areas of systems and controls.

- (a) Budget
- (b) Collection of Revenue
- (c) Vehicle Utilization