

Valikamam North 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 25 February 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 December 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 Valikamam North 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

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

Effect on Financial Statements	Assets		Liabilities	
	No. of Instance	Value	No. of Instances	Value
		Rs.		Rs.
Understatements	01	19,322	01	118,444
Overstatements			03	35,712
Omission			01	2,866,917

- (ii) The value of the vehicle bearing No.WPLG 3711 used by the Sabha had not been assessed and accounted for. As a result, the Motor Vehicles Account had been understated.

1.3.2 Lack of Evidence for Audit

----- Non-Rendition of Information for Audit -----

Transactions valued at Rs.19,053,300 could not be vouched in audit due to lack of necessary evidence for audit.

1.3.3 Non-compliance

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

Reference to Laws, Rules, Regulations

----- Pradeshya Sabha Act No. 15 of 1987 -----

Chapter V Section 158(1)

Financial Regulation

No. 571

Non-compliance

The Secretary had not issued warrants against the defaulters of arrears of assessment tax amounting to Rs.542,983.

Action had not been taken regarding lapsed deposits of Rs.121,571.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure exceeding the revenue of the Sabha for the year under review was Rs.4,319 as against the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.17,555.

2.2 Financial Control

It was observed in audit that there was a difference of Rs.12,995,470 between the budgeted and actual revenue and a difference of Rs.23,855,706 between the budgeted and actual expenditure due to lack of proper preparation of budget.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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
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	Rs.000	Rs.000	Rs.000
(i.) Rates and Taxes	87	104	543
(ii.) Lease Rent	2,916	3,110	-
(iii.) Licence Fees	3,331	4,334	-
(iv.) Other Revenue	65,415	51,206	37,175

2.3.2 Revenue Collection

Legal or any other effective action had not been taken to recover the rates and taxes and lease rent of the year under review amounting to Rs.612,758.

2.3.3 Court Fines

Courts fines receivable for the year under review under various ordinances imposed by the Mallakam Magistrate's Court amounting to Rs.1,145,055 had not been shown as revenue or receivables.

2.3.4 Stamp Fees

The list of stamp fees for the years 2006-2013 showing a sum of Rs.50,454,189 had been received from the Register General and shown as revenue receivable. But, effective action had not been taken to receive it.

2.3.5 Staff Loans Recoverable

Effective action had not been taken during the year under review to recover the arrears of staff loan of Rs.11,287 due from a pre school teacher.

2.4 Assets Management

2.4.1 Idle Physical Assets

During the year under review, 4 vehicles of the Sabha remained parked in the premises of the Sabha without being used.

2.4.2 Operating Inefficiencies

The sum of Rs.15,500 granted by the Commissioner of Local Government for community centres had not been utilized for the purpose. Instead, it had been included in the Sundry Debtors Account.

2.5 Contract Administration

2.5.1 Projects not Executed

Capital projects amounting to Rs.1,226,426 carried forward from previous year had not been executed even up to the date of this report.

2.5.2 Capital Works

The capital work relating to the 10th mile post road, Mavittapuram carried out from the Sabha Fund of Rs.1,316,325 during the year under review had not been approved in the budget and had been executed by the supplementary budget of the Secretary bearing No.DS/VN/CUL/MAVI/TEM/2013.

3. Systems and Controls

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

- (i) Recovery of rates and taxes
- (ii) Assessment of Properties
- (iii) Sundry Deposits
- (iv) Sundry Debtors