

**Valikamam South Pradeshiya Sabha**

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**Jaffna District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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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 30 March 2012. 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**

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In my opinion, except for the effects on the financial statements of the matters referred to in this paragraph 1.3 of 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 South 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**

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

<b>Effect on Financial Statements</b>	<b>Assets</b>		<b>Liabilities</b>		<b>Revenue</b>	
	<b>No. of Instances</b>	<b>Value</b>	<b>No. of Instances</b>	<b>Value</b>	<b>No. of Instances</b>	<b>Value</b>
		<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>
Understatements			02	25,442,497	01	158,433
Overstatement	01	3,242,600	-	-	-	-
Omission	-	-	01	4,284,160	-	-

(ii) Nine vehicles used by the Sabha had not been valued and brought to account resulting in an understatement of value of vehicles in the accounts.

### 1.3.2 Lack of Evidence for Audit

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

Five transactions valued at Rs.130,358,072 could not be vouched in audit due to non rendition of necessary information 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 and Regulations

#### Non compliance

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1988 Pradeshiya Sabha (Finance and Administration) Rules  
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Chapter III  
Section 33

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The tax assessment clerk had not prepared quarterly statement of defaulters of rates and taxes and furnished it to the Chairman with reference to arrears of rates and taxes amounting to Rs.4,665,556.

Chapter III  
Section 76

The revenue collector had not intimated the arrears of lease rent amounting to Rs.2,257,559 to the Secretary.

Contributions to the Widows' and Orphans' pension scheme

The contributions to the Widows' and Orphans' pension scheme during the last 6 months of 2006 amounting to Rs.222,405 had been kept in the Sundry Debtors Account without being remitted to the Director of Pensions.

Finance Regulation 571

Action had not been taken with regard to the Miscellaneous Deposit balances of Rs.722,633 for the period 1997-2010.

## 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 under review was Rs.38,465 as compared with the revenue exceeding the recurrent expenditure amounting to Rs.119,141 of the preceding year.

### 2.2 Financial Control

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The budget had not been properly prepared. As such, it was observed in audit that there was a difference of Rs.12,410,589 between the budgeted and actual revenue and a difference of Rs.15,939,641 between the budgeted and actual expenditure.

### 2.3 Revenue Administration

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

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

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
(i.) Rates and Taxes	1,674	1,036	5,924
(ii.) Lease Rent	27,182	27,225	440
(iii.) Licence Fees	3,207	7,395	-
(iv.) Other Revenue	61,542	70,358	34,594

#### 2.3.2 Revenue Management

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Legal or any other effective action had not been taken to recover arrears of rates and taxes, lease rent and licence fees of Rs.84,857,033 for the year under review and the previous year.

### 2.3.3 Court Fines

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The Court fines amounting to Rs.1,001,954 for the period August to December of the year under review had not been shown as revenue or receivable.

### 2.3.4 Stamp Fees

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- (i) The stamp fees of Rs.65,694,174 accounted for, as revenue and receivables for the period 2006-2012 had not been recovered upto the date of this report.
  - (ii) The stamp fees of Rs.21,330,310 for the year under review had not been accounted for, as revenue or receivable.

### 2.4 Idle Reserves

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Loan Redemption Reserves amounting to Rs.645,771 remained idle.

### 2.5 Operating Inefficiencies

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The sum of Rs.243,873 granted by the District Secretary and the Commissioner of Local Government during 2001-2012 for the Marudanamadam market and installing water tanks. remained idle in the Miscellaneous Deposit Accounts.

### 2.6 Assets Management

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- (i) A comparison of the board of survey reports of the had office and the sub office with the register of stock revealed surpluses and shortages amounting to 42 and 43 respectively.
  - (ii) The following items shown in the board of survey report had not been included in the register of stock.

<u>Item</u>	
200 litres tanks	02
Plastic chairs	26

## **2.7 Contract Administration**

### **----- Projects Not Executed -----**

Nine capital projects valued at Rs.37,673,233 had not been executed during the year under review and had been included in the Sundry Debtors Account thereby depriving the public of their benefits.

## **3. Systems and Controls**

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

- (a) Collection of Revenue
- (b) Fixed Assets
- (c) Accounting
- (d) Personnel
- (e) Donations
- (f) Miscellaneous Deposits