

Valikamam 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 22 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 Valikamam 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		Assets		Liabilities	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
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		Rs.		Rs.		Rs.
Understatements			02	25,500		
Overstatements	01	83,970	01	1,311,850	04	13,301,672

- (b) Seven 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 Unreconciled Accounts

The Local Development Loan Interest appearing as Rs.1,263,700 in the main ledger had been shown as Rs.1,677,752 in the final accounts.

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

1988 Pradeshiya Sabha (Finance
and Administration) Rules

Chapter III
Section 66

Financial Regulation of the
Democratic Socialist Republic of
Sri Lanka

No. 57

Non-compliance

The Secretary had not taken action to recover arrears of rates and taxes, lease rent and licence fees of Rs.5,668,174 in terms of the Section 150(4) of the Pradeshiya Sabha Act No.15 of 1987.

Action had not been taken to credit to revenue the lapsed deposits of Rs.852,141 for the period 2001-2011.

1.3.4 Lack of Evidence for Audit

Transactions valued at Rs.4,138,742 could not be vouched in audit due to non rendition of necessary information.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was nil compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.16,476,671.

2.2 Financial Control

It was observed in audit that there was a difference of Rs.8,990,069 between the budgeted and actual revenue and a difference of Rs.3,173,507 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 the 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	1,858	1,823	5,390
(ii) Lease Rent	9,592	9,888	-
(iii) Licence Fees	1,288	1,768	-
(iv) Other Revenue	38,560	46,809	37,757

2.3.2 Court Fines

Courts fines of Rs.502,102 due from the Magistrate's Court for the period August – December 2013 had not been obtained during the year under review.

2.3.3 Stamp Fees

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- (a) Stamp fees due for the years 2006-2012 amounting to Rs.32,867,361 had been accounted for, as revenue. But, it had not been recovered.

 - (b) Stamp fees of Rs.15,454,635 for the year under review had been accounted for, as receivable and revenue. But, effective action had not been taken to recover it upto the date of this report.

2.3.4 Arrears of Rates and Taxes

Action had not been taken to recover arrears of rates and taxes of Rs.5,390,169 during the year under review by issuing distraining orders in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.

2.4 Assets Management

2.4.1 Idle Vehicle

The pick up vehicle bearing No.252-6540 belonging to the Sabha remained parked for the last 10 years.

2.5 Operating Inefficiencies

A sum of Rs.186,846 allocated for constructing latrines and community centres during 2010-2012 remained unspent. This amount had been included in the Miscellaneous Deposit Account. As a result, the public had been deprived of their benefits.

2.6 Contract Administration

2.6.1 Delay in Execution of Projects

Ten projects valued at Rs.3,889,308 had not been executed even as at end of the year under review. This had been included in the Sundry Debtors account for future implementation showing the delay in execution of projects.

2.6.2 Projects Not Executed

Five projects valued at Ra.4,405,000 allocated in the budget for the year under review had not been executed.

2.6.3 Projects not Approved

Three projects valued at Rs.640,016 had been carried out by using the funds of the Sabha. These had not been approved in the budget.

Description of work	Amount
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	<u>Rs.</u>
Survey of land for collection of water	18,000
Arumugam Vidyalaya Road, Chulipuram	396,986
Sivan Kovil Road	225,030

	640,016
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3. Systems and Controls

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

- (a) Budget
- (b) Collection of Revenue
- (c) Vehicle Utilization
- (d) Sundry Deposits
- (e) Miscellaneous Deposits
- (f) Advances