

# Valikamam East 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 10 April 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 East 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 revenue and liabilities.

Effect on Financial Statements	Revenue		Liabilities	
	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.
Understatements	02	21,200	01	339,915
Overstatement	-	-	01	2,409,262
Omissions	-	-	01	2,795,977

- (ii) The value of pick up vehicle No.ISUZU 253-5122 donated to the Sabha by the RRAN in 2009 had not been assessed and accounted for, resulting in an understatement of the value of vehicles in accounts.

### 1.3.2 Lack of Evidence for Audit

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

Transactions valued at Rs.65,387,028 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	Details
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<b>Financial Regulation</b> -----	

## 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.56,817 as compared with the recurrent expenditure exceeding the revenue of the preceding year amounting to Rs.829,097.

## 2.2 Financial Control

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It was observed in audit that there was a difference of Rs.27,677,101 between the budgeted and actual revenue and a difference of Rs.34,743,840 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 the 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
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	Rs.000	Rs.000	Rs.000
(i.) Rates and Taxes	775	625	5,388
(ii.) Lease Rent	7,455	7,823	126
(iii.) Licence Fees	2,633	2,696	73
(iv.) Other Revenue	41,308	13,351	37,412

### 2.3.2 Loss of Revenue

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The tender for the Puththur beef stall amounting to Rs.450,101 had been rejected by the Chairman stating that the tenderer had no previous experience, a requirement not coming under the Pradeshiya Sabha Rules and Regulations. Subsequently, another tenderer had been selected for Rs.196,000 resulting in a loss of revenue to the Sabha amounting to Rs.254,101.

### 2.3.3 Revenue collection

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- (i) Legal or any other effective action had not been taken to recover rates and taxes, lease rent and licence fees of Rs.5,591,198 for the year under review and the previous years.
- (ii) Revaluation of properties had not been made for over past 10 years resulting in a loss of revenue from rates and taxes.

#### **2.3.4 Court Fines**

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Action had not been taken to obtain the court fines of Rs.756,834 as at end of the year under review although this had been accounted for, as receivables and revenue.

#### **2.3.5 Stamp Fees**

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Effective action had not been taken to obtain the stamp fees of Rs.88,303,605 from the Registrar General for the period 2006, 2007, 2010, 2011, 2012 and 2013.

#### **2.4 Assets Management**

##### **Idle and Under Utilized Physical Resources**

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Three vehicles of the Sabha remained idle.

#### **2.5 Board of Survey Reposts**

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The board of survey reports compared with the register of stock showed a difference in excesses relating to 3 items and difference in shortages relating to 14 items.

#### **2.6 Operating Inefficiencies**

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The sum of Rs.240,674 granted by the Commissioner of Local Government for improvement of work during 2010 remained in the Miscellaneous Deposit Account without being used.

#### **2.7 Contract Administration**

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The Sabha had allocated Rs.4,550,000 for capital work and for purchase of capital goods. But none of these had been performed.

**3. Systems and Controls**  
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Special attention is needed in respect of the following areas of systems and controls.

- (i) Collection of Revenue
- (ii) Budget
- (iii) Vehicle Utilization
- (iv) Capital Work
- (v) Advances