

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 25 March 2013 and the financial statements for the preceding year had been presented on 04 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 September 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Valikamam North Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my 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 2012 and the financial results of its operations and cash flows 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 in respect of assets, revenue, expenditure and liabilities are shown in the following table.

2012

Effect on the Financial Statements	Assets		Revenue		Expenditure		Liabilities	
	No. of Instances	Value Rs.	No. of Instances	Value Rs.	No. of Instances	Value Rs.	No. of Instances	Value Rs.
Understatements			02	1,058,718				
Overstatements			01	2,750,496	01	30,000	04	375,081
Classification Errors	01	21,702						

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs. 19,083,300 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of expenditure over revenue of the Sabha for the year under review amounted to Rs. 17,554,756 as against with the excess of revenue over expenditure amounting Rs. 17,631,200 for the preceding year.

2.2 Financial Control

The following observations are made.

- (a.) Budgeted estimates had not been properly prepared. As a result a difference of Rs.266,812 between the budgeted revenue and the actual revenue and a difference of Rs. 6,614,448 between the budgeted expenditure and the actual expenditure were observed in audit.
- (b.) As per cash book bank balance Rs. 50,002,265 shown in the bank current account due to non- implementation of programmes.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	<i>Rs. 000</i>	<i>Rs. 000</i>	<i>Rs. 000</i>
Rates and Taxes	71	123	517
Lease Rent	844	2,232	14
Licence Fees	470	652	-
Other Revenue	50,111	48,262	27,276

2.3.2 Loss of Revenue

Even though supply of electricity had been handed over to the Ceylon Electricity Board since 1999, a sum of Rs. 583,130 due from the Commissioner of Local Government on maintenance of street lamps within the area of the Sabha had not been reimbursed, resulting a loss to the Sabha.

2.3.3 Arrears of Revenue

No meaningful action or legal action had been taken to recover the arrears of Rs.530,752 pertaining to assessment tax and rent during the year under review.

2.3.4 Court Fines

Although courts fines are billed as revenue and receivables courts fines imposed under various ordinances amounting to Rs. 1,752,850 receivable from the magistrate courts during the year under review had not been received until the date of this report.

2.3.5 Stamp Fees

The following observations are made.

- (a). Even though estimated revenue of Rs.10,000,000 had been shown in the budget during the year under review, no action had been taken to obtain details stamp fees schedule from the Register General of Lands. However the stamp fees estimated had been accounted as revenue and receivable without being meaningful action taken up to the date of this report.
- (b). Although the stamp fees amounting to Rs. 15,843,286 due for the period 2006 – 2010 had been accounted as revenue during the previous period, no action had been taken to recover the above money up to the date of this report.

2.4 Assets Management

2.4.1 Unverified Assets

Assets had been accounted as Rs.33,174,858 at book value without being confirmed by Board of Survey Reports as at 31 December 2012. Details are as follows.

Assets	Amount
-----	-----
	Rs.
Fixed Assets	32,899,632
Stores Items	275,226

	33,174,858
	=====

2.5 Non-compliance with Laws, Rules. Regulations etc.

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

Reference to Laws, Rules and Regulations	Non - compliance
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(a.) Pradeshiya Sabha Act No. 15 of 1987	

Section 158(1) of Chapter V	Although there was an arrears of assessment tax amounting to Rs. 517,032 warrant notices had not been issued to defaulters by the Secretary.

(b.) **Pradeshiya Sabha (Finance and Administration) Rules - 1988**

Section 70 of Chapter III

The revenue clerk had not prepared and submitted a list of defaulters of arrears of rent of Rs. 13,750 after the lapsed period to the Secretary.

Section 140 of Chapter V

Action had not been taken by the Secretary on due dates in respect of unsettled advances of Rs. 6,824,327.

Sub Section 237 of Section 05 of Chapter VI

Action had not been taken with regard to 5 uncashed cheques aggregating to Rs. 10,635.

(c.) **Financial Regulations of Democratic Socialist Republic of Sri Lanka**

F.R . 571

Action had not been taken with regard to lapsed Contractors' deposits and miscellaneous deposits amounting to Rs.170,135.

Particulars of Deposits	Year 2010 Rs.	Over 5 years Rs.
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Contractors	98,515	-
Miscellaneous	56,629	14,991
	-----	-----
	155,144	14,991
	=====	=====

(d.) Value Added Tax Act No. 14 of 2002

VAT amounting to Rs.27,429 recovered in 2010 had not been remitted to the Department of Inland Revenue.

(e.) Section 27 of the Employees Provident Fund Act No. 03 of 1982

Although the EPF contributions should be remitted to the EPF on the ensuing month, contributions for over 5 years amounting to Rs. 14,991 had not been so remitted and were lying in the Deposits Account.

2.6 Fruitless Expenditure

Expenditure amounting to Rs. 62,200 spent for Keerimalai sacred poomi model displayed at Dayata Kirula exhibition held at the Municipal ground is considered as fruitless expenditure and extraneous to the objectives of the Sabha.

2.7 Contract administration

2.7.1 Delays in Implementing Projects

A sum of Rs. 8,418,397 allocated under sundry creditors to make payments in future periods due to delay in implementation of the projects for the year under review. Details are as follow.

Name of the Project	Amount
-----	Allocated

	Rs.
Periya Kennathady Kannakar Road	465,038
Door at Mallakam Market	58,875
Soda company Kenkaker Road	5,280,496
Construction of a concrete road	443,234
Construction of a Public Hall	247,100
Boundary wall of the Pilisaru Centre	1,787,156
Construction of a concrete road	136,498

	8,418,397
	=====

2.8 Operating Inefficiencies

The sum of Rs. 32,000 donated for 8 community centers by the Commissioner of Local Government in 2010 had been kept in the miscellaneous deposits without being used for the intended purpose.

2.9 Solid Waste Management

Although the construction work of the boundary wall for dumping solid waste had not been completed a sum of Rs. 235,195 had been shown as sundry debtors in the accounts. As such the Sabha had failed to provide facilities to the people of the area as per Section 3 of the Pradeshiya Sabha Act No. 15 of 1987.

2.10 Internal Audit

Adequate internal audit had not been carried out at the Sabha.

3. Systems and Controls

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

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Minutes of the monthly meetings
- (iv) Accounting
- (v) Human Resources.
- (vi) Donations
- (vii) Vehicle Utilization
- (viii) Budgetary Control