

**Valikamam South West Pradeshiya Sabha**

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

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**1.1 Presentation of Financial Statements**

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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 02 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 September 2013.

**1.2 Opinion**

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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 South West 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 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 South West 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**

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**1.3.1 Accounting Deficiencies**

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The accounting deficiencies observed in the financial statements in respect of assets and liabilities are shown in the following table.

<u>Effect on the Financial Statements</u>	<u>Assets</u>		<u>Liabilities</u>	
	<u>No of Instances</u>	<u>Value Rs.</u>	<u>No of Instances</u>	<u>Value Rs.</u>
Understatements	02	28,867,616	-	-
Overstatements	01	10,183	02	17,959,448
Omissions			01	8,370

### 1.3.2 Lack of Evidence for Audit

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Six transactions totaling Rs. 16,869,891 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

## 2. Financial and Operating Review

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### 2.1 Financial Results

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.22,416,902 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 8,638,312 for the preceding year.

### 2.2 Financial Control

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The budget estimate had not been prepared properly and as such a difference of Rs.4,211,771 between the actual revenue and budgeted revenue and a difference of Rs.9,070,380 between the budgeted expenditure and actual expenditure were observed.

## 2.3 Revenue Administration

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

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Information with regard to 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.

<u>Item of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears</u> <u>as at 31 December</u>
	<u>Rs 000'</u>	<u>Rs 000'</u>	<u>Rs 000'</u>
Rates and Taxes	3,307	1,383	3,485
Lease Rent	5,083	6,514	193
Licence Fees	1,844	2,352	49
Other Revenue	60,561	56,336	18,394

### 2.3.2 Revenue Management

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Effective action had not been taken regarding arrears of revenue debtors amounting to Rs.3,551,852 which included lease rent and trade licences amounting to Rs.176,747 exceeding a period of 10 years.

### 2.3.3 Revenue Loss

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Although the activities relating to supply of electricity had been handed over to the Ceylon Electricity Board since 1999 and an agreement had not been entered into with the Ceylon Electricity Board. Therefore, the Ceylon Electricity Board had not reimbursed the payments amounting to Rs. 1,057,455 made from the funds of the Sabha for the maintenance work of the electricity. Hence the Sabha had to charge the expenditure on maintenance of electricity services against the revenue of the Sabha.

### 2.3.4 Court Fines and Stamp Fees

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#### (a) Court Fines

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No action had been taken by the Sabha on fines amounting to Rs. 170,500 imposed under various ordinances since October 2012.

**(b) Stamp Fees**

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- (i) A list of stamp fees due for the year 2011 and 2012 had not been obtained from the Registrar General of Land and brought to the accounts.
- (ii) Action had not been taken to recover the stamp fees of Rs. 17,788,948 due from the Registrar General of Lands for the period 2006 to 2010.

**2.4 Assets Management**

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**2.4.1 Idle and Underutilized Physical Resources**

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- (a) The following 21 items valued at Rs. 34,050 remained idle at the stores since 2001.

<u>Item</u>	<u>Nos.</u>	<u>Value</u> Rs.
Sprayers	02	19,800
Shires (knife)	19	14,250
Total	21	34,050

- (b) As per Board of Survey Reports 92 nos. of items of goods purchased from the funds of the Sabha and received as donations had remained unutilized at the stores.

**2.4.2 Staff Loans Recoverable**

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A sum of Rs. 66,806 recoverable from 11 officers of the Sabha had been shown in their accounts continuously for over 3 years as arrears instead of being recovered from their gratuity and sureties.

### 2.4.3 Assets not Verified

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The value of assets as at 31 December 2012 had not been confirmed by physical verifications and had been shown as Rs. 49,965,926 at book value as shown below.

<u>Item</u>	<u>Value</u>
	Rs.
Fixed Assets	48,617,892
Stores Items	<u>1,348,034</u>
	<b><u>49,965,926</u></b>

### 2.5 Non - compliances

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Non - compliance with the provisions in the following laws, rules, regulations and management decisions were observed during the course of audit.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
<b>(a.) Pradeshiya Sabha (Financial and Administrative) Rules of 1988.</b>	
(i) Chapter III Section 33	A list of defaulters of tax had not been furnished to the Chairman at the end of each quarter.
(ii) Chapter III Section 76	The delay in recovery of lease rent amounting to Rs. 193,757 had not been intimated to the Secretary/ Chairman by the Revenue Clerk.
(iii) Chapter III Section 81	No action had been taken in every quarter in respect of reimbursement of stamp fees and fines on the transaction relating to lands.

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

F.R. 571

Miscellaneous deposits amounting to Rs. 15,076 exceeding 02 years had not been credited to revenue.

(c.) **Financial Rules of the Northern Provincial Council**

Rules 101 and 102

The internal audit programme and the internal audit reports had not been furnished to the Auditor General.

(d.) **Inland Revenue Act, No. 10 of 2006.**

The withholding tax recovered amounting to Rs 57,728 had not been remitted to the Department of Inland Revenue.

(e.) **Valued Added Tax Act No. 14 of 2002.**

VAT recovered in 2011 and 2012 amounting to Rs. 2,872.670 had not been remitted to the Department of Inland Revenue.

(f.) **Nation Building Tax No. 09 of 2009**

The Nation Building Tax of Rs. 37,977 recovered during the year under review had not been remitted to the Department of Inland Revenue.

(g.) **Section 3.2 of Chapter VII of the Establishment Code**

A sum of Rs.20,443 had been paid as over time to the staff of the Sabha contrary to the Establishments Code.

(h.) **Circular No.7/1/2000 dated 30.11.2000 of the Ministry of Local Government and Provincial Councils**

Holiday payments can be made only for 05 days per month to the field officers. However, holiday payments had been made for 06 days per month for Public Health Inspectors.

## 2.6 Operating Inefficiencies

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- (a) Retention money of Rs. 171,174 pertaining to the years 2010 and 2011 had been kept in the deposits account without being refunded to the contractors.
- (b) Although donations amounting to Rs.115,660 given for Community Centres during 2009 and 2010 had been provided under Sundry Creditors. However, the above donations had not been given to the respective Community Centres up to the date of this report.
- (c) Contractor's deposits of Rs. 10,000 for the year 2000 had not been refunded.
- (d) A sum of Rs. 234,515 allocated for various purposes in 2011, 2012 had not been paid to the parties concerned.

<u>Year</u>	<u>Purpose</u>	<u>Amount</u>
		Rs.
2011	Curtaining at Manipay	6,250
2011	Uniforms	8,120
2012	Transformer - Manipay	49,900
2012	Street lighting	41,445
2012	Graveling of Roads	32,000
2012	Uniforms	<u>96,800</u>
		<b><u>234,515</u></b>

- (e) Pension contributions amounting to Rs. 1,691 had been kept in the deposits account without being remitted to the Department of Pensions up to the date of this report.
- (f) Unpaid salaries from June to November 2011 amounting to Rs. 87,064 had remained in the deposits account without being paid to the officers concerned

## 2.7 Contract Administration

### (a) Delay in Implementation of Projects

Development funds amounting to Rs. 6,424,876 allocated for 15 capital works during the year under review had not been utilized for the intended purposes due to non-preparation of the annual budget properly. Thus, these amounts had been kept in the sundry creditors account for future utilization. Details are given below.

<u>Details of Projects</u>	<u>Amounts Reserved under Sundry Creditors</u> Rs.
Rehabilitation of Roads (NELSHIP)	355,922
Shanganai Hospital Road	185,000
Irakkumawatta Road	450,880
Kadapulam Mathakal Container Section	442,500
Manipay Town Tractor Tailor	325,000
Rehabilitation of Anatha Road	234,214
Rehabilitation of Mareesion Sea Road	940,373
Navali Pirashath Market Repairs	200,000
Mahiyapitti Market Repairs	100,000
Rehabilitation of Kadappulam Wall	223,940
Vadaliyadaippu Drainage	2,500,000
Rehabilitation of Unddushandi Road	32,047
Graveling of Raja Murunkaiyady Road	140,000
Graveling of Koththukaddy Road	245,000
Graveling of Kakaithivu Road	<u>50,000</u>
	<b><u>6,424,876</u></b>



(b) Completely Abandoned Projects

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Twenty one Projects valued at Rs. 14,319,000 relating to repairs to roads and canals planned to be carried out during the year under review had been abandoned without being completed the works during the year.

**2.8 Internal Audit**

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

**3. Systems and Controls**

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

- (a) Revenue Collection.
- (b) Fixed Assets
- (c) Donations
- (d) Miscellaneous Deposits
- (e) Budgetary Control
- (f) Accounting.