

## 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 20 March 2013 and the financial statements for the preceding year had been presented on 10 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 West Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Valikamam West Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation and cash flows for the year then ended.

##### 1.3 Comments on Financial Statements

###### 1.3.1 Accounting Deficiencies

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

Effect on the Financial Statements	Assets		Revenue	
	No of Instances	Value	No of Instances	Value
		Rs.		Rs.
Understatements			03	42,870
Overstatements			03	690
Erroneous Classifications	01	30,125		

### **1.3.2 Unreconciled Control Accounts**

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As per main ledger the value of the store items amounted to Rs.313,077, whilst the total of balances according to the subsidiary ledger shown as Rs.202,355.

### **1.3.3 Lack of Evidence for Audit**

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Transactions totaling Rs. 6,137,263 could not be satisfactorily vouched in audit due to non-submission of the 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.16,476,671 as compared with the excess of revenue over recurrent expenditure amounting Rs. 9,613,610 for the preceding year.

### **2.2 Financial Control**

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Budgeted estimates had not been properly prepared. As a result a difference of Rs.9,671,921 between the budgeted revenue and the actual revenue and a difference of Rs.8,649,285 between the budgeted expenditure and the actual expenditure were observed in audit.

### **2.3 Revenue Administration**

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

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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	1,699	1,847	5,331
Lease Rent	8,618	9,281	12
Licence Fees	784	962	60
Other Revenue	34,822	43,505	18,038

### 2.3.2 Assessment Taxes and Other Taxes

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Although arrears of rates amounted to Rs.5,331,436 as at 31 December 2012, no action had been taken to recover the arrears from defaulters in terms of Pradeshiya Sabha Act No.15 of 1987.

### 2.3.3 Recovery of Business Tax

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Arrears of trade licence had not been brought to account through a billing procedure. Hence revenue on trade licences had been understated in the accounts.

### 2.3.4 Loss of Revenue

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(a.) As per Gazette notification entertainment tax of 5% to be recovered on entertainment events within the Sabha area. However no recoveries had been made on two entertainment events. Further a sum of Rs.30,282 had been refunded from the deposits without deposits being obtained.

(b.) Although the activities relating to supply of electricity had been handed over to the Ceylon Electricity Board since 1999 no agreements had been entered into with Ceylon Electricity Board in respect of maintenance of street lamps. Therefore, a sum of Rs. 70,303 due from the Ceylon Electricity Board on maintenance of street lamps within the area of the Sabha had not been reimbursed.

### 2.3.5 Court Fines

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Court fines had not been recovered for the period from May to December 2012.

### 2.3.6 Stamp Fees

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Stamp fees due for the period 2006- 2012 had not been ascertained and the estimated. However a sum of Rs. 20,609,652 had been shown as revenue and receivables. But, action had not been taken to recover the stamp fees up to the date of this report.

## 2.4 Assets Management

### ----- Idle and Underutilized Physical Resources -----

The following assets belong to the Sabha procured during the period from 1999 to 2008 had been lying idle and damaged.

<b>Nature of Asset</b>	<b>Date of purchase</b>	<b>Value</b>
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		Rs.
Photo copy machine Conica 1212	18.06.1996	177,975
Sonic Computer	31.12.2008	61,500
Laser Printer 1005	31.12.2008	14,700
05 Water tanks	-	-
02 Cettles	-	-

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

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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.

<b>Reference to Laws, Rules Regulations and Management Decisions</b>	<b>Non-compliance</b>
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<b>(a) Pradeshiya Sabha (Financial and Administration) Rules of 1988</b> -----	
i) Chapter III Section 29	All the money collected should be deposited in the bank daily. However daily collections amounting to Rs.16,970 for the period 01.01.2012 to 06.12.2012 had not been deposited as above.
ii) Chapter III Section 66	The Secretary had not taken action to recover the arrears of revenue amounting to Rs.73,293 due to the Sabha in terms Section 150(4) of Pradeshiya Sabha Act No.15 of 1987
<b>(b) Goods and Services Tax Act No. 34 of 1996.</b>	Goods and Services Tax amounting to Rs.16,777 recovered by the Sabha had not been remitted to the Department of Inland Revenue. Instead it had been accounted as revenue.
<b>(c) Valued Added Tax Act, No. 14 of 2002.</b>	Collection of Value Added Tax amounting to Rs.11,429 for the period 2002- 2003 had not been remitted to the Department of Inland Revenue and had remained in the miscellaneous deposits account.

**(d) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka**

Action had not been taken in respect of lapsed deposits amounting to Rs.841,195 for the period 1983-2010.

**(e) Section 132 of Pradeshiya Sabha Act No.15 of 1987**

An amounting to Rs.74,520 had been paid for refreshment from the Sabha fund for the Local Government Week Programme.

**2.6 Transactions of Contentious Nature**  
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- (a.) A sum of Rs.13,080 had been paid for purchase of pillows and mats from Sabha fund for the use of office of the Valuation Department. This is considered as an irregular payment.
- (b.) Ayurvedic drugs to the value of Rs. 69,525 had been purchased from a private pharmacy which is not registered in the Department of Ayurveda, even though registered Ayurvedic manufacturing and sales centers are available in Jaffna District.

**2.7 Abandoned Projects**  
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According to the budget of the Sabha for the year 2012, two Projects of which the cost is Rs. 1,500,000 had to be implemented from the Sabha funds. However a sum of Rs.3,000,000 invested in fixed deposits at the Peoples Bank, Chankanai by the Sabha for the purpose of earning interest, instead of implementing the projects.

## **2.8 Operating Inefficiencies**

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Donations amounting to Rs. 1,198,863 received by the Sabha during 1998 -2012, for construction of Community Centres and toilets had been kept in the miscellaneous deposits without being utilized for the specific purposes.

## **3. Systems and Controls**

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

- a) Revenue Collection
- b) Accounting
- c) Grants
- d) Miscellaneous Deposits
- e) Budgetary Control.