

**Valveddithurai Urban Council**

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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 22 March 2013 and the financial statements for the preceding year had been presented on 11 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 02 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 Valveddithurai Urban Council 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 Valveddithurai Urban Council 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, revenue and expenditure are shown in the following table.

Effect on the Financial Statements	Assets		Revenue		Expenditure	
	No of Instances	Value Rs.	No of Instances	Value Rs.	No of Instances	Value Rs.
Understatements	01	805,000	01	70,000		
Overstatements			01	229,257		
Classification Errors					01	7,000

### 1.3.2 Lack of Evidence for Audit

Transactions to the value of Rs.511,546 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 revenue over recurrent expenditure of the Council for the year ended 31 December 2012 amounted to Rs.951,768 as compared with the excess of revenue over recurrent expenditure amounting to Rs.275,965 for the preceding year.

### 2.2 Financial Control

Budgeted estimates had not been properly prepared. As such, a difference of Rs.4,684,991 between the budgeted and actual income and a difference of Rs.3,975,747 between the budgeted and actual expenditure were observed in audit.

### 2.3 Revenue Administration

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

The information with regard to the estimated revenue, actual revenue and arrears of revenue for the year under review as presented by the Chairman is given bellow.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulated Arrears as at 31 December</b>
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	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>
Rates and Taxes	775	773	-
Lease Rent	3,565	5,556	-
Licence Fees	307	433	-
Other Revenue	20,368	22,938	11,277
<b>Total</b>	<b>25,015</b>	<b>29,700</b>	<b>11,277</b>
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### 2.3.2 Loss of Revenue

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Supply of electricity had been hand over to the Ceylon Electricity Board from 1999. However, a sum of Rs.136,885 due from the Commissioner of Local Government on maintenance of street lamps within the area of the Council had not been reimbursed resulting in a loss of revenue to the Council.

### 2.3.3 Court Fines

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No meaningful action had been taken to recover the Court fines and penalties amounting to Rs.4,624,750 due from the Magistrate Courts even though billed as revenue and receivables. Details are given below.

<b>Year</b>	<b>Amount</b>
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	<b>Rs.</b>
2011	867,250
2012	3,757,500
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	<b>4,624,750</b>
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### 2.3.4 Stamp Fees

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- (a) Stamp fees up to 30 June 2012 amounting to Rs. 2,000,025 had been accounted as revenue and receivables but no meaning full action had been taken to recover the same.
  
- (b) Stamp fees details for the period from July to December 2012 had not been obtained from the Registrar General.

## 2.4 Assets Management

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### 2.4.1 Unutilized Physical Resources

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Two number of two-wheeler tractor and a photocopy machine valued Rs. 1,520,650 had remained unutilized at the Council for over two years.

### 2.4.2 Assets Not Verified

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The following assets as at 31 December 2012 shown in the accounts based on book value had not been confirmed by the Board of Survey Report. Details are given below.

<b>Details</b>	<b>Amount</b>
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	<b>Rs.</b>
Fixed Assets	12,644,577
Inventory Items	341,704
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	<b>12,986,281</b>
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### 2.4.3 Report on Annual Stock Verification

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Following deficiencies were observed.

- (a) No meaningful action had been taken during the year under review on 177 nos. of books which had not been submitted to the Board of Survey 2012 for verification.
  
- (b) The number of ceiling fans as per physical verification was 42 and as per register of stocks the number was 19. Accordingly 23 ceiling fans had not been entered in the register of stocks.

## 2.5. Non-compliances with Laws, Rules and Regulations

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

### Reference to Laws, Rules, Regulations and Management Decisions

### Non-compliance

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**(a.) Urban Council Ordinance of 1939**

(i) Section 168 of Chapter V

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Entries had not been made in the advance register for individual advance paid.

(ii) Section 172 of Chapter V

Main ledger had not been reconciled and updated monthly by the Council.

(iii) Section 176 of Chapter VI

The balance appearing in the Register of Deposits had not been monthly reconciled with the balance of the main ledger.

**(b.) Value Added Tax Act No. 14 of 2002.**

Value Added Tax amounting to Rs. 4,800 recovered in 2011 had not been remitted to Department of Inland Revenue.

## 2.6 Contact Administration

### 2.6.1 Abandoned Project

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The Seeruvil Drainage Projects valued at Rs.1,700,000 to be carried out during the under review had been abandoned.

### 2.6.2 Partly Completed Project

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The amount estimated for the construction of wall to the Mayiliranai cemetery was Rs.400,000 and a sum of Rs. 58,046 had already been spent in this connection. However, the work had been abandoned due to objection made by the villagers

## **2.7 Operating Inefficiencies**

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Sundry debtors amounting to Rs.195,051 pertaining to the capital works carried out by the Council had remained unsettled for over one year.

## **3. Systems and Controls**

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

- (a.) Collection of Revenue
- (b.) Fixed Assets
- (c.) Accounting
- (d.) Human Resources
- (e.) Donations
- (f.) Vehicle Utilization
- (g.) Miscellaneous Deposits
- (h.) Budget