

Vavuniya South Sinhala Pradeshiya Sabha

Vavuniya District

1. Financial statements

1.1 Presentation of Financial statements.

Financial statements for the year under review had been presented for audit on 11 July 2014 and the financial statements for the preceding year had been presented on 24 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 08 August 2014.

1.2 Opinion

Because of the significance of the matters shown in paragraph 1.3.1 and 1.3.2 of this report, I am unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Therefore I do not express an opinion on these financial statements.

1.3 Comments on Financial statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) Accounting policies had not been disclosed with the financial statements.
- (b.) The accounts had not been prepared on accrual basis.
- (c.) A cash flow statement had not been presented.
- (d.) The value of Rs.17,250 of the Water Pump purchased on 18 December 2013 had not been capitalized.
- (e.) The closing balance of the accumulated fund as at 31 December 2012 amounted to Rs.11,555,527 whereas the opening balance of the accumulated fund had been shown in the financial statements for the year 2013 as Rs.11,867,165. Therefore, a difference of Rs.311,638 was observed.

- (f.) The balance of the revenue contribution to the capital outlay account as at 31 December 2013 amounted to Rs.41,447,834 and according to the information made available to audit, the balance was Rs.44,560,885. Therefore, a difference of Rs.3,113,051 was observed.
- (g.) According to the financial statements, the stamp fees receivable as at 31 December 2013 in respect of the years 2011 and 2012 amounted to Rs.346,010. However, according to the reports of the Land Registrar, stamp fees receivable by the Sabha for the said years amounted to Rs.468,917.
- (h.) The court fines for the year under review had been accounted as Rs.638,494 whereas according to the information made available to audit, the income from court fines for the year was Rs.1,359,659. Therefore, the income had been understated by Rs.721,165.
- (i.) According to the financial statements the balance of the employees loans as at 31 December 2013 amounted to Rs.2,730,929. But, an account had not been maintained in the main ledger for employees loans. Therefore, the correctness of the balance could not be assured.
- (j.) The Sabha had not maintained a main ledger, a summary of revenue register and a register of fixed assets. Therefore, the correctness of the transactions, assets and liabilities of the Sabha could not be assured.

1.3.2 Lack of Evidence for Audit

(a.) Unreplied Audit Queries

Reply had not been submitted for an audit query as at 01September 2014 and the quantifiable value relating to the transactions relating to the said query amounted to Rs.10,706,781.

(b.) Non-submission of Information to Audit

Transactions totaling Rs.1,093,867 could not be satisfactorily vouched due to the non-submission of required information to audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.1,176,575 as compared with excess of revenue over recurrent expenditure amounting to Rs.3,036,924 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
		Rs.000	Rs.000	Rs.000
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(i.)	Lease Ren	120,000	431,587	60,650
(ii.)	Licence Fees	2,040,000	870,990	-
(iii.)	Other Revenue	19,608,507	12,948,546	1,912,061

2.2.2 Lease Rent

The following observations are made.

- According to the letter No.എഐ/08/1737/306/110 dated 25 September 2008 of the Secretary to the Cabinet of Ministers, the stall rent should be get assessed by the Valuation Department. But, without doing so, the Sabha had recovered rentals decided by itself.
- It was observed that 05 stalls owned by the Sabha had been underutilized and as a result, the Sabha had deprived of an income of Rs.36,500.

(c.) Action had not been taken to assess the rent at least once in 05 years in terms of the provisions of Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government

2.2.3 Licence Fees

An annual survey had not been carried out to identify the business locations on which trade licence fees should be charged.

2.2.4 Other Revenue

The Sabha had not taken action to carry out surveys on extent of land on which weekly fairs hold within the area of authority of the Sabha, number of vehicles reached, number of traders doing businesses, number of consumers, categories of goods sell, facilities provided to fairs and decide the revenue receivable. Instead, the charges had been recovered as per the Sabha decisions.

2.2.5 Court Fines and Stamp Fees

Court fines amounting to Rs.1,083,769 and stamp fees amounting to Rs.468,917, should have been receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities.

2.3 Idle and Underutilized Physical Resources

It was observed that 13 vehicles owned by the Sabha are lying idle for over one year and that Sabha could have earned income by using 10 of these vehicles for agricultural or other activities.

2.4 Management and Operating Inefficiencies

(a.) Management Inefficiencies

- (i.) The total of balances of accounts receivable as at 31 December 2013 amounted to Rs.1,972,711 and this included a total sum of Rs.813,542 due for over one year.
- (ii.) The balance of a bank current account of the Sabha as at 31 December 2013 amounted to Rs.4,716,060 and action had not been taken to earn an interest income by investing the above money in a short term investment.

(b.) Operating Inefficiencies

Action had not been taken in terms of Public Finance Circular No.438 dated 13 November 2009 in respect of the goods which should be disposed of.

2.5 Performance

The following observations are made.

- (a.) A sum of Rs.3,123,000 allocated for 25 items of expenditure by the budget for 2013 had remained underutilized.
- (b.) Two welfare projects to the value of Rs.2,300,000 planned through the budget to carry out during the year under review had not been implemented.
- (c.) It had been decided at the meetings of the Sabha held on 20 June 2011 and 22 April 2013 to register the Three Wheel Parks in order to increase the revenue. However, the decisions had not been implemented.

(d.) Information on the approved and actual cadre of the Sabha as at 31 December 2013 is shown below.

	Approved	Actual	Vacancies
Executive	02	01	01
Secondary	20	18	02
Primary	27	13	14
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	49	32	17
	=====	=====	=====

Action had not been taken to recruit employees for the vacant posts.

5. **Systems and Controls**

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management