

**Venkalacheddikulam Pradeshiya Sabha
Vavuniya District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been submitted to audit on 21 March 2016 and the financial statements for the preceding year had been submitted on 30 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 31 October 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Venkalacheddikulam Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Even though the assets which were available in the opening balance of the five assets of the Sabha had not been made available physically, those balances had been included in the value of the assets in the end of the year. As such, the value of the assets as at 31 December 2015 had been overstated by Rs. 9,772,052.
- (b) Even though Legal expenses of Rs. 173,400 had been paid in the year under review, it had not been brought to the financial statements.
- (c) Sundry creditors, lapsed deposits, court fines, stamp duty and interest income for the preceding years had been adjusted as substitute reserve by journal entries instead of adjusted to accumulated fund account.

1.3.2 Receivables

Action had not been taken to receive the ayurvedic donation of Rs. 43,700 for over 12 years.

1.3.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with laws, rules and regulations were given below.

Reference to the Laws, Rules and Regulations	Non-compliances	
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(a) Public Administration Circular No. 41/90 dated 10 October 1990	Consumption of fuel should be tested once in every six months by running the vehicle after filling the tank fully. However, action had not been taken accordingly.	
(b) Pradeshiya Sabhas (Financial and Administrative) Rules of 1988 Rule (V) 7	Internal audit had not been implemented.	
2. F i c n a n c i a	(c) Public Finance Circular No. 454 dated 26 November 2011	Vehicle emission test should be done and obtained the certificate in the respective institution. However, above procedure had not been done for 04 vehicles of the Sabha and tax certificate for the year under review had also not been obtained.
R e v i e w - -	(d) Section 8.12 of the Procurement Guideline.	withholding tax for exceeding the payment of Rs. 25,000 in respect of contract works or supplies should be informed to the Commissioner of Inland Revenue with a copy to the Auditor General before the 15 th day of the following month, a copy in respect of withholding tax of Rs. 1,282,361 paid by the Sabha during the year under review had not been sent to the Auditor General.
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2.1 Financial Results

According to the financial statements presented, operations of the Sabha for the year under review had resulted in an excess of income over recurrent expenditure of Rs. 7,189,187 as compared with the corresponding excess of income over recurrent expenditure of Rs. 1,741,748 for the preceding year, thus indicating an improvement of Rs. 5,447,439 in the financial results for the year under review.

2.2 Revenue Management

2.2.1 Performance of the Revenue Collection

The budget estimate had not been prepared properly and estimate had not been planned and programmed properly. As such, variances between the budgeted revenue and the actual revenue were observed in audit.

2.2.2 Court Fine

No action had been taken to recover court fines of Rs. 2,815,954 receivable to the Sabha as at 31 December 2015 from the Chief Secretary, Northern Province.

2.2.3 Stamp fees

No action had been taken to recover stamp duty of Rs. 2,169,110 receivable to the Sabha from the Registrar General of Lands for the period from 2011 to 2015.

2.2.4 Lease Arrears

No action had been to recover lease arrears of Rs. 93,889 receivable from two lessees since 1996 and 2013.

2.3 Performance Review

2.3.1 Management Inefficiency

Following deficiencies were observed.

- (a) Even though 06 vehicles of the Sabha had remained idle for a long period, action had not been taken in terms of the circular no. 02/2015 of 10 July 2015 of Department of Public Finance.
- (b) Even though ownership of 17 vehicles were not belonging to the Sabha, action had not been taken to transfer the ownership to the Sabha up to the date of this report.
- (c) Even though a sum of Rs. 2,500,000 had been kept in the substitute reserve, a sum of Rs. 4,500,000 had been transferred to the substitute reserve during the year under review and objective for substitute reserve had not been made available.

2.3.2 Human Resource Management

The approved and actual cadre of the Sabha as at 31 December 2015 was 66 and 49 respectively. Therefore, it was observed in audit that there were 17 staff shortages.

2.3.3 Audit and Management Committee

Audit and Management Committee meetings should be conducted to carry out the activities of the Sabha efficiently. However, Audit and Management Committee meetings had not been held in the respective Sabha in the year under review.

2.3.4 Idle and Underutilized Assets

Following Observations are made.

- (a.) Even though a sum of Rs. 977,704 had been estimated for construction of Arasadikkulam stadium by the Sabha under 100 days special work plan in the year under review and such work had been completed, it was observed that it had remained idle up to 11 June 2016.
- (b.) Even though a sum of Rs. 888,000 had been paid for purchase of Generator in 2015, it had remained idle up to the date of this report.

3. Systems and Controls

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

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Advances
- (iv) Capital Works
- (v) Main Ledger