

Vavuniya North 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 30 March 2016 and the financial statements for the preceding year had been submitted on 04 March 2015. The report of the Auditor General for the year under review was issued to the Chairman 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 Vavuniya North 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 deficiencies were observed.

- (a) As the loan amounts of Rs. 47,700 granted in the year under review had not been included in the staff loan balances, staff loan balance had been understated by Rs. 47,700. This amount had been rectified by reduce the key money obtained from the stalls belonging to the Sabha.
- (b) Capital expenditure of Rs. 2,540,000 which was paid for repairing roads under the purview of the Sabha in the year under review had been classified as recurrent expenditure. Thus, value of fixed assets had been understated in the accounts.
- (c) The loan balance for the utility service of Rs. 6,470,877 shown in the financial statements had remained as an unidentified balance.
- (d) The value of the 298 excess items indicated in the report on annual board of survey had not been evaluated and brought to the financial statements. As such, the value of the assets of the Sabha had been understated.
- (e) Outstanding rent from stalls aggregating Rs. 47,250 had not been accounted as revenue during the year under review. Thus, the revenue of the Sabha had been understated.

1.3.2 Receivables

Employee's loan balances aggregating Rs. 221,043 receivable from the employees who had retired, dismissed and transferred from the service had not been recovered for over 05 years.

1.3.3 Lack of Evidence

The transactions valued at Rs. 2,107,104 could not be vouched in audit due to non-submission of necessary information and evidences for audit.

1.3.4 Non-compliance with Laws, Rules and Regulations

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

Reference to 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	
(i) Rule 217	A register in respect of the land and buildings which are being used by the Sabha had not been maintained.
(ii) Rule (V) 7	Internal audit had not been implemented.
(iii) Rule 153	The statement of receivable balances (P.S.7) had not been prepared.
(iv) Rule 163	Register of income summary had not been prepared (P.S.19)
(v) Rule 60	The survey in respect of the details of the enterprises under the purview of the Sabha had not been carried out at the beginning of the year.
(vi) Rule 165	Liabilities, income and expenditures had not been recorded in the main ledger.
(c) Financial Regulation 1646	The vehicle running chart for the month had not been submitted to the audit before the 15 th day of the following month.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, operations of the Sabha for the year under review had resulted in net surplus of Rs. 11,053,803 as compared with the corresponding net surplus of Rs. 557,760 for the preceding year, thus indicating an improvement of Rs. 10,496,043 in financial results in the end of 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 Fines

No action had been taken to recover court fine of Rs. 1,854,537 receivable to the Sabha from the Chief Secretary, Northern Province.

2.2.3 Stamp Fees

No action had been taken to recover stamp duty of Rs. 1,708,764 receivable to the Sabha from the Registrar General of Lands.

2.2.4 Other Income

No action had been taken to recover charges for advertised boards and to recover the arrears from the relevant institutions.

2.3 Management Inefficiency

Even though there were 16 vehicles in the Sabha, no action had been taken to transfer the ownership of those vehicles to the Sabha.

2.4 Idle and Underutilized Assets

The following observation are made

- (a) Even though a sum of Rs. 28,000 had been paid for the finger print machine purchased in 2015, such machine had remained idle without being utilized.
- (b) Bus stand had been constructed at a cost of Rs. 26,137,591 by the North Accelerated Recovery Programme on 12 August 2011 and handed over to the Nedunkerny Pradeshiya Sabha. However, no action had been taken by the Sabha to utilize the bus stand up to now.

2.5 Accountability and Good Governance

Audit and Management Committee Meeting

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

3. Systems and Controls

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

- (i) Collection of Income
- (ii) Fixed Assets