

**Vadamaradchy South West Pradeshiya Sabha  
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 2016 had been submitted to audit on 30 March 2017 and the financial statements for the preceding year had been submitted to audit on 30 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 31 August 2017.

**1.2 Qualified Opinion**

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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 Vadamaradchy South West Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Policies**

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Accounting policies to be adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

**1.3.2 Accounting Deficiencies**

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The following matters were observed.

- (a) Ownership of six vehicles issued as donation to the Sabha had not been transferred and values thereon had not been evaluated. However, values thereon had been included in the motor vehicles and cycles account. As such, the value of the motor vehicles and cycles had been understated in the accounts.
- (b) Values of buildings in the cemeteries under the purview of the Sabha had not been evaluated by the Department of Valuation and brought to account, thus the value of the building had been understated in the accounts.

**1.3.3 Non-maintenance of Registers and Books**

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Registers such as payment register, register of cheques and money orders, vehicle log book, register of audit query and register of sundry debtors had not been maintained by the Sabha.

### 1.3.4 Non-compliances with Laws, Rules and Regulations

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The following instances of non-compliance were observed.

| <b>Reference to Laws, Rules and Regulations</b>                             | <b>Non-compliances</b>   |
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| -----   | -----  |
| (a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988  |  |
| (i) Rule 32 of Chapter III  | The register in respect of assessment tax on property had not been maintained by the Sabha and rates and taxes had not been recovered by the Sabha.  |
| (ii) Rule 33 of Chapter III   | The list of tax defaulters had not been submitted to the Chairman by the tax assessment clerk quarterly.   |
| (iii) Rule 66 of Chapter III  | Action had not been taken by the Secretary of the Sabha to recover arrears of revenue amounting to Rs. 2,188,048.  |
| (iv) Rule 120 of Chapter V  | Action had not been taken by the Secretary in respect of failure of settlement of advances in due dates. As such, advances of Rs. 1,012,297 had not been settled up to the end of the year under review. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka |  |
| (i) Financial Regulation 381(3)   | Security money had not been paid by the officers who were given authority to place the signatures in the cheques.  |
| (ii) Financial Regulation 1646  | Vehicle running chart for the month had not been submitted to the audit before 15 <sup>th</sup> day of the following month.  |

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 48,863,336 as compared with the corresponding excess of income over recurrent expenditure of Rs. 56,275,746 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 7,412,410 for the year under review.

### 2.2 Analytical Financial Review

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According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs. 4,319,523 as compared with the corresponding

net surplus of Rs. 6,558 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 4,312,965 for the year under review.

## 2.3 Working Capital Management

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According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 196,103,440 as compared with the corresponding working capital of Rs. 180,432,230 for the preceding year, thus indicating an improvement in the working capital by Rs. 15,671,210 for the year under review.

## 2.4 Revenue Administration

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### 2.4.1 Performance of Revenue Collection

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The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Secretary are given below.

| Item of Revenue | Estimated      | 2016           |                                      |
|-----------------|----------------|----------------|--------------------------------------|
|                 |                | Actual         | Cumulative Arrears as at 31 December |
| -----           | -----          | -----          | -----                                |
|                 | Rs. '000       | Rs. '000       | Rs. '000                             |
| Rates and Taxes | 670            | 141            | 2,188                                |
| Lease Rents     | 25,686         | 17,106         | -                                    |
| License Fees    | 1,457          | 1,612          | -                                    |
| Other Revenue   | 93,912         | 87,662         | 81,730                               |
| <b>Total</b>    | <b>121,725</b> | <b>106,521</b> | <b>83,918</b>                        |
|                 | =====          | =====          | =====                                |

### 2.4.2 Assessment tax on Property

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Assessment tax on property of Rs. 2,138,421 recoverable in the year under review had not been recovered.

### 2.4.3 Stamp Fees

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Stamp fees of Rs. 97,559,923 receivable from the year 2011 to the year 2015 had not been recovered.

## 3. Operating Review

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### 3.1 Non-utilization of Assets

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The following observations are made.

- (a) A pickup vehicle had remained idle in damaged condition since the year 2008.

- (b) A generator had been in usable condition since the year 2006. However, it had remained idle.

### **3.2 Management Inefficiencies**

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The following observations are made.

- (a) Even though approved cadre of the Sabha was 120, actual cadre was 109, thus vacancies in the cadre were 11.
- (b) At least 04 Audit and Management Committee meetings should be conducted for a year in order to carry out the activities of the Sabha efficiently. However, 03 Audit and Management Committee meetings had only been held during the year under review.

### **3.3 Operating Inefficiency**

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Muthalaikuli drinking water supply work plans valued at Rs. 3 million had been completed. However, water supply activities had not been carried out.

### **3.4 Waste Management**

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Wastes had been gathered and dumped without being separated.

## **4. Good Governance and Accountability**

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### **Budgetary Control**

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### **Expenditure Structure**

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Variances ranging from Rs. 128,152 to Rs. 9,151,531 between the budgeted expenditure and actual expenditure were observed in audit.