

**Valikamam South West Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 20 March 2017 and the financial statements for the preceding year had been submitted to audit on 17 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

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 Valikamam 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

1.3.1 Accounting Policies

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

The following accounting deficiencies were observed.

- (a) A sum of Rs. 4,894,174 had to be paid for pensions and pensionable benefits of the officers of local government service up to the end of the year 2015. However, it had not been accounted as payable amount, thus accumulated fund had been overstated in the financial statements.
- (b) A sum of Rs. 31,498 payable for pensions and pensionable benefits of the officers of local government service in the year 2016 had not been brought to income and expenditure account, thus income had been overstated.

1.3.3 Payable Accounts

The following observations are made.

- (a) Payable amount of Rs. 49,960 had not been paid to the relevant person.
- (b) Deposit amount of Rs. 37,176 for lottery had not been paid up to now.

1.3.4 Non-maintenance of Registers and Books

Registers such as register of measurement, register of tax on land sales and register of electrical fittings had not been maintained by the Sabha.

1.3.5 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliances
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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 571	Action had not been taken in respect of tender deposits valued at Rs. 18,000 older than 02 years period from the year 2011 to the year 2012.
(iii) Financial Regulation 1646	Vehicle running chart had not been submitted to the audit before 15 th of the following month.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year under review had resulted in an excess of income over recurrent expenditure of Rs. 45,367,037 as compared with the corresponding excess of income over recurrent expenditure of Rs. 39,106,488 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 6,260,549 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs. 1,661 as compared with the corresponding net surplus of Rs. 5,455 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 3,794 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 230,413,646 as compared with the corresponding working capital of Rs. 194,260,862 for the preceding year, thus indicating an improvement in the working capital by Rs. 36,152,784 for the year under review.

2.4 Revenue Administration

2.4.1 Performance of Revenue Collection

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	Cumulative Arrears as at 31 December
		Actual	
	Rs. '000	Rs. '000	Rs. '000
Assessment Taxes	1,570	1,698	5,296
Lease Rents	8,908	8,827	290
License Fees	3,737	2,543	3
Other Revenue	85,924	86,963	128,060
Total	100,139	100,031	133,649

2.4.2 Assessment tax on Property

Reassessment had not been made for the properties and assessment tax of Rs. 4,942,997 had not been recovered up to now.

2.4.3 Lease and Rents

Arrears of lease rent amounting to Rs. 275,508 had not been recovered.

2.4.4 Other Income

Cemetery tax had not been recovered for 13 cemeteries.

2.4.5 Stamp Fees

Stamp fees of Rs. 98,104,520 had not been recovered from the Registrar General of Lands.

3. Operating Review

3.1 Management Inefficiency

Even though approved cadre of the Sabha was 136, actual cadre was 110, thus shortages and excess in the cadre were 27 and 01 respectively.

3.2 Underutilized Assets

The following observations are made.

- (a) Weekly market valued at Rs. 880,625 had remained idle.
- (b) Two bowsers of the Sabha had remained in unusable condition.

3.3 Contract Administration

Thirty works valued at Rs. 70,238,400 had been allocated in the budget. However, such works had not been carried out.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 05 to Rs. 23,800,312 between the budgeted expenditure and actual expenditure were observed in audit.