

**Valikamam North 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 22 March 2017 and the financial statements for the preceding year had been submitted to audit on 29 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 17 July 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 North 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 deficiency was observed.

Provision of pension had not been made for a sum of Rs. 2,876,771 payable for pensions and pensionable benefits of the officers of local government service

1.3.3 Non-maintenance of Registers and Books

Registers such as register of losses, register of measurement sheet and register of land sales had not been maintained by the Sabha.

1.3.4 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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(a) Pradeshiya Sabhas Act No. 15 of the year 1987	
(i) Section 148 (1) of Chapter V	The tax on any vehicles and animals is authorized to impose by the Pradeshiya Sabha. However, tax on those vehicles and animals had not been recovered at the specified rates.
(ii) Section 158 (1) of Chapter V	The warrant had not been signed by the Secretary in respect of defaulters to pay arrears of assessment tax on property of Rs. 628,007.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	Action had not been taken in respect of lapsed deposits of Rs. 5,165,225
(c) Circular no. 41/90 dated 10 October 1990 of the Ministry of Public Administration and Home Affairs	Fuel consumption for the vehicles of the Sabha had not been tested.

2. Financial Review

2.1 Financial Results

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. 28,623,466 as compared with the corresponding excess of income over recurrent expenditure of Rs. 19,755,761 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 8,867,705 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. 72,887 as compared with the corresponding net surplus of Rs. 9,168 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 63,719 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. 108,653,018 as compared with the corresponding working

capital of Rs. 83,913,762 for the preceding year, thus indicating an improvement in the working capital by Rs. 24,739,256 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	
		Actual	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	101	100	628
Lease Rents	3,027	5,519	70
License Fees	1,665	1,316	-
Other Revenue	90,711	86,144	75,255
Total	95,504	93,079	75,953

2.4.2 Assessment tax on Property

Recoverable assessment tax of Rs. 628,007 had not been recovered.

2.4.3 Court Fines and Stamp fees

The following observations are made.

- (a) Court fines receivable of Rs. 441,098 had not been received to the Sabha up to now.
- (b) Stamp fees valued at Rs. 63,903,300 had not been recovered from the Registrar General of Lands.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Approved cadre of the Sabha was 125. However, 117 staffs had been deployed in service. Accordingly, shortages and excess in the cadre were 09 and 01 respectively.
- (b) (i) Destroyable library books had not been destroyed

(ii) Final action had not been taken in respect of fire accident of the office.

(c) Audit and Management Committee Meeting

At least 04 Audit and Management Committee meetings should be conducted for a year. However, 02 Audit and Management Committee meetings had only been held in the Sabha during the year under review.

3.2 Underutilized Assets

Children park had been constructed at the land not belonging to the Sabha, thus it had remained idle.

3.3 Waste Management

Wastes had been dumped without being separated.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 204 to Rs. 14,168,216 between the budgeted expenditure and actual expenditure were observed in audit.