

**Valikamam South 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 24 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 South 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. 4,768,150 had to be paid to the pension fund of the Local Government up to the year 2015. However, such amount had not been included in the accounts.
- (b) A sum of Rs. 340,446 payable to the pension fund of local government in the year 2016 had not been brought to income and expenditure account.
- (c) Land valued at Rs. 3,242,600 not belonging to the Sabha had been included in the fixed assets, thus the value of the fixed assets had been overstated.
- (d) Value of seven vehicles issued to the Pradeshiya Sabha as donation had not been brought to accounts, thus the value of the motor vehicles had been understated in the accounts.

1.3.3 Non-maintenance of Registers and Books

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

1.3.4 Lack of Evidences for Audit

Three transactions valued at Rs. 32,580 could not be satisfactorily vouched in audit due to non-submission of certified beneficiaries list.

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-compliance
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Circular no. 41/90 dated 10 October 1990 of the Ministry of Public Administration and Home Affairs	Fuel consumption for 36 vehicles belonging to 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 under review had resulted in an excess of income over recurrent expenditure of Rs. 88,725,538 as compared with the corresponding excess of income over recurrent expenditure of Rs. 104,360,089 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 15,634,551 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. 2,545,325 as compared with the corresponding net surplus of Rs. 12,522,543 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 9,977,218 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. 218,452,637 as compared with the corresponding working capital of Rs. 188,413,764 for the preceding year, thus indicating an improvement in the working capital by Rs. 30,038,873 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
Assessment Taxes	2,887	1,791	5,902
Lease Rents	36,522	34,294	2,258
License Fees	12,310	20,001	-
Other Revenue	90,179	101,762	115,716
Total	141,898	157,848	123,876

2.4.2 Assessment tax on Property

Assessment tax of Rs. 5,901,887 had not been recovered up to now.

2.4.3 Lease and Rents

The following observations are made.

- Lease rent of Rs. 2,120,526 had not been recovered from the year 2012 to up to now.
- Rents of two shops amounting to Rs. 103,445 had not been recovered up to now.

2.4.4 License Fee

Tax on nine telecommunication towers had not been recovered by the Sabha.

2.4.5 Stamp fees

Stamp fees of Rs. 107,204,178 had not been recovered up to now.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Approved cadre of the Sabha was 124. However, 115 staffs had been deployed in service. Accordingly, shortages and excesses in the cadre were 12 and 03 respectively.
- (b) A sum of Rs. 927,781 received for maintenance expenditure of trees planted at road side had not been utilized for the intended purpose.

3.2 Operating Inefficiencies

Three capital works valued at Rs. 932,230 had not been executed by the Sabha up to now.

3.3 Delays in Projects

The following observations are made.

- (a) A sum of Rs. 3,250,000 had been allocated for constructing 407 meters retaining wall around the playground. However, such work had not been completed up to now.
- (b) It was observed that a contract had been entered for a sum of Rs. 532,230 to construct burning tent in the cemetery. However, such work plan had not been implemented by the Pradeshiya Sabha.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 3 to Rs. 14,663,530 between the budgeted expenditure and actual expenditure were observed in audit.