

**Valikamam 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 17 March 2017 and the financial statements for the preceding year had been submitted to audit on 28 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 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) Value of five vehicles which ownership had not been transferred to the Sabha had been evaluated and brought to final account, thus the value of the motor vehicles had been overstated in the accounts by Rs. 2,932,415.
- (b) Value of three land and buildings being used by the Sabha had not been evaluated, thus the value of the land and buildings had been understated in the final accounts.

1.3.3 Non-maintenance of Registers and Books

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

1.3.4 Receivable and Payable Accounts

The following observations are made.

- (a) Thirteen advances valued at Rs. 429,634 paid in the year under review had not been up to the end of the year under review.

- (b) Salary of Rs. 136,723 had not been paid to the relevant employees.

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
-----	-----
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 No. 148 (1)	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.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 315	It had not been ensured that the Government assets had been kept in the safe custody and security arrangements had also been made by the Accounting Officer.
(ii) Financial Regulation 571	Action had not been taken in respect of lapsed deposits of Rs. 2,720,145

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. 28,045,949 as compared with the corresponding excess of income over recurrent expenditure of Rs. 26,888,493 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 1,157,456 for the year under review.

2.2 Working Capital Management

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 104,850,307 as compared with the corresponding working capital of Rs. 91,994,462 for the preceding year, thus indicating an improvement in the working capital by Rs. 12,855,845 for the year under review.

2.3 Revenue Administration

2.3.1 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 on Property	2,571	2,235	4,579
Lease Rents	13,271	10,660	-
License Fees	1,816	1,654	-
Other Revenue	59,336	65,601	70,783
Total	76,994	80,150	75,362

2.3.2 Assessment tax on Property

Arrears of assessment tax amounting to Rs. 4,579,111 had not been recovered during the year under review.

2.3.3 Other Income

Arrears of water tax amounting to Rs. 184,684 had not been recovered by the Sabha during the year under review.

2.3.4 Court Fines and Stamp Fees

The following observations are made.

- Court fines of Rs. 452,582 for the year under review had not been recovered.
- Stamp fees receivable for the period from the year 2011 to the year 2016 amounting to Rs. 63,618,339 had not been recovered.

3. Operating Review

3.1 Management Inefficiency

The following observations are made.

- A sum of Rs. 60,000 issued as library donation had not been utilized for the intended purpose.

- (b) Approved cadre of the Sabha was 100. However, 97 staffs had been deployed in service. Accordingly, shortages and excesses in the cadre were 07 and 04 respectively.
- (c) 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

The following observations are made.

- (a) A rural market valued at Rs. 884,992 had remained idle.
- (b) Head office building of the Sabha had remained idle since the year 2013.
- (c) Preschool constructed in the year 2015 had remained idle.
- (d) A pickup vehicle and a portable water tank had remained idle in the Sabha

3.3 Contract Administration

Seven work plans valued at Rs. 1,600,000 allocated in the budget of the year under review had not been executed completely.

3.4 Waste Management

Wastes had been dumped without being separated and recycled.

4. Good Governance and Accountability

4.1 Budgetary Control

Expenditure Structure

Variances ranging from Rs. 15,366 to Rs. 2,034,113 between the budgeted expenditure and actual expenditure were observed in audit.

4.2 Unresolved and non-replied Audit Queries

Reply for the query in respect of construction of multipurpose hall in the year 2011 under Local Government Infrastructure Facilities Improvement Project had not been received up to now.