

**Velanai 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 30 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 Velanai 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 matters were observed.

- (a) The values of twelve vehicles being used by the Sabha had not been evaluated and brought to final accounts, thus the value of the motor vehicles and cycles had been understated in the accounts.
- (b) Thirty one vehicles not belonging to the Sabha and being used by the Sabha had been evaluated at Rs. 18,215,636 and included in the final accounts, thus the value of the motor vehicles and cycles had been overstated in the accounts by Rs. 18,215,636.

1.3.3 Non-maintenance of Registers and Books

Registers such as register of losses, register of creditors, register of street lights, register of measurement sheets 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) A sum of Rs. 35,295 had not been recovered from an officer for over the 10 years.
- (b) (i) Salaries of Rs. 29,335 deposited since the year 2015 had not been paid to the relevant officer up to the date of this report.

(ii) Salary of Rs. 14,644 payable to an officer since the year 2005 had not been paid up to now.

1.3.5 Lack of Evidences for Audit

Four transactions valued at Rs. 153,738 could not be satisfactorily vouched or accepted in audit due to lack of required evidences.

1.3.6 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 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 381(3) (ii) Financial Regulation 571 (iii) Financial Regulation 1646	Security money had not been paid by the officers who were given authority to place the signatures in the cheques. Action had not been taken in respect of lapsed deposits of Rs. 67,004 in terms of Financial Regulation Daily vehicle running charts had not been submitted to the audit before 15 th of the following month.
(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. 11,181,818 as compared with the corresponding excess of income over recurrent expenditure of Rs. 9,235,424 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 1,946,394 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. 42,198 as compared with the corresponding net surplus of Rs. 1,046,683 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 1,004,485 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. 38,906,074 as compared with the corresponding working capital of Rs. 29,822,929 for the preceding year, thus indicating an improvement in the working capital by Rs. 9,083,145 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	2016		
	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	797	711	-
Lease Rents	1,418	1,385	150
License Fees	245	314	-
Other Revenue	36,434	42,870	-
Total	38,894	45,280	150

2.4.2 Assessment tax on Property

Assessment tax on property had not been recovered from the properties under the purview of the Sabha up to now.

2.4.3 Lease and Rent

The following observations are made.

- (a) Arrears of lease rent amounting to Rs. 116,233 had not been recovered up to now.
- (b) Arrears of rent amounting to Rs. 9,225 had not been recovered up to now.

2.4.4 License Fees

Building license and annual tax had not been obtained for 10 telecommunication towers situated under the purview of the Sabha.

2.4.5 Stamp fees

Stamp fees of Rs. 17,296,312 receivable from the Registrar General of Lands had not been recovered up to now.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs. 331,935 paid for constructing Charty well road had not been utilized for the intended purpose since the year 2009.
- (b) Sabha's contribution of Rs. 168,158 for the Employees Provident Fund had not been paid to the relevant person since the year 2010.
- (c) Community Center donations of Rs. 257,400 had not been granted to the relevant Community Centers.
- (d) Even though approved cadre of the Sabha was 84, actual cadre was 66, thus shortages in the cadre were 18.
- (e) There were 13 cemeteries under the purview of the Sabha. However, Cemetery tax had not been recovered.
- (f) There were shortages of 578 goods of 46 categories while conducting annual board of survey in the Sub Offices and Libraries of the Sabha.

3.2 Underutilized Assets

The following observations are made.

(a) Assets constructed newly such as vehicle service station, park with modern equipment, Thuraiyoor fish market, Muttaveli market complex, vocational training center had remained idle.

(b) Sixteen vehicles had remained idle in the Sabha.

3.3 Contract Administration

Nine projects had been abandoned completely by the Sabha during the year under review.

3.4 Delays in Projects

Two capital work schemes valued at Rs. 1,300,000 had not been executed in the year under review.

3.5 Waste Management

Wastes had been gathered and dumped without being separated.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 61,000 to Rs. 1,517,264 between the budgeted expenditure and actual expenditure were observed in audit.