

Vavuniya North Pradeshiya Sabha
Vavuniya District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 28 February 2017 and the financial statements for the preceding year had been submitted to audit on 30 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 31 September 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 Vavuniya 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 Deficiencies

The following deficiencies were observed.

- (a) Loan balances of the Sabha for the year under review totalling Rs. 219,544 had not been included in employees loan balance as at the end of the year, thus staff loan balance had been understated.
- (b) Stamp duty receivable by the Sabha amounting to Rs. 1,724,164 had not been included in the revenue debtors account, thus current assets of the Sabha had been understated.

1.3.2 Lack of Evidences for Audit

Transactions valued at Rs. 1,815,647 could not be satisfactorily vouched or accepted in audit due to non-submission of required information and evidences for audit.

1.3.3 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance with laws, rules and regulations were observed.

Reference to Laws, Rules and Regulations	Non-compliances
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(a) Pradeshiya Sabha (Financial and Administrative) Regulation of 1988	
(i) Rule No. 217	A register in respect of the all land and buildings which were being used by the Sabha had not been maintained.
(ii) Rule No. 165	Liabilities, revenue and expenditure had not been recorded in the main ledger.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	It was observed that although lapsed deposits totalling Rs. 1,150,532 had been kept in the deposit account for a long period, action had not been taken in this regard in terms of Financial Regulation 571.
(c) Paragraph 02-1 of Public Administration Circular No. 41/90 dated 10 October 1990	Even though consumption of fuel should be tested once in every six months by running the vehicle after filling the tank fully. However, action had not been taken accordingly.

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. 7,201,813 as compared with the corresponding excess of income over recurrent expenditure of Rs. 7,232,745 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 30,932 for the year under review.

2.2 Contingent Liabilities

A primary contract awarded for laying stones and tarring the Nainamadu Karappukkuththi Road had been cancelled. As such, a court case had been filed in this regard and a sum of Rs. 593,808 had been spent on legal charges during the period from the year 2013 to the year 2016. However, this had not been shown as contingent liabilities in the financial statements during the year under review.

2.3 Revenue Management

2.3.1 Performance of Revenue Collection

It was observed in audit that a difference had been incurred between the budgeted revenue and the actual revenue as the budget estimate had not been prepared properly and estimate had not been planned and programmed properly.

2.3.2 Assessment tax on Property

Revaluation had not been done for properties under the purview of the Sabha for over the last 10 years and assessment tax income thereon had not been recovered.

2.3.3 Court Fines and Stamp fees

(a) Court Fines

No action had been taken to recover court fines of Rs. 94,910 receivable to the Sabha as at 31 December 2016 from the Vavuniya Court under the various ordinance.

(b) Stamp Fess

No action had been taken to recover stamp fees of Rs. 1,724,164 receivable by the Sabha for the period from the year 2011 to the year 2015.

2.4 Management Inefficiencies

(a) There were 04 vehicles in the Sabha. However, no action had been taken to transfer ownership of those vehicles to the Sabha.

(b) Twenty five category of goods had been indicated as shortages in the report on annual board of survey of the preceding year. However, no action had been taken in this regard.

2.5 Assets Management

No action had been taken to utilize the bus stand valued at Rs. 26,137,591 constructed under the Northern Intensified Reawakening Project and handed over to Nedunkerny Pradeshiya Sabha on 12 August 2011.

3. Systems and Controls

Special attention is needed in respect of the following areas of controls.

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Advance Receipts
- (iv) Advance Payments
- (v) Capital Works
- (vi) Maintenance of Main Ledger