

Valikamam North Pradeshiya Sabha
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 11 September 2018.

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 2017 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 adopted in preparing the financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Four vehicles issued to the Sabha as donation and being used by the Sabha for the period of last 10 years had not been owned by the Sabha. However, values thereof totalling Rs. 1,211,040 had been brought to financial statements, thus the value of the motor vehicles had been overstated in the financial statements for the year under review.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Advance of Rs. 369,050 had been paid to the contractor from the fund of the Sabha for completing rehabilitation work of Annammaal Community Centre as per work scheme valued at Rs. 2 million of the Ministry of Provincial Councils and Local Government. However, such amount had not been obtained from the Ministry of Provincial Councils and Local Government up to now.

(b) Accounts Payable

Provision of Rs. 58,455 made in the accounts for payments of preceding two years had not been settled up to now due to non-receiving of invoices for payments from the Department of Sri Lanka Railway,

1.3.4 Non-compliances

Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
	Rs.	
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	645,129	A warrant had not been issued by the Secretary of the Sabha to the defaulters of the arrears of assessment tax on property.
(b) Ministry of Public Administration and Management Circular No. 30/2016 dated 29 December 2016		Fuel consumption had not been tested for 12 vehicles of the Sabha for the period of one year.
(c) Finance circular of Northern Province No. PF/01/2017 of 07 March 2017		Security money had not been obtained from 08 officers.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 28,387,662 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 28,623,466.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The following matters were observed.

- (a) Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	101,800	–	100,907	645,129	101,000	–	99,948	628,008
Rentals	3,542,800	–	4,769,807	–	3,026,800	–	5,518,639	–
License Fees	1,627,900	–	1,452,349	–	1,665,000	–	1,315,818	–
Other Revenue	28,575,700	–	41,170,635	82,768,531	24,659,100	–	33,114,248	75,325,231
	33,848,200	–	47,493,698	83,413,660	29,451,900	–	40,048,653	75,953,239

- (b) It was observed that schedules had not been issued in collecting rates and taxes and arrears had been accumulated based on differences between estimated revenue and collected revenue.

2.2.2 Rates and Taxes

No meaningful actions had been taken to recover arrears of rates and taxes of Rs. 645,129 recoverable in the year under review.

2.2.3 Stamp Fees

Stamp fees of Rs. 52,190,019 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Performance

According to the section 3 of the Pradeshiya Sabhas Act, the matters disclosed relating to the Sabha in control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities had been as follows.

Solid Waste Management

The following matters were observed in the area which was selected to dispose solid wastes at Keerimalai.

- (i) The daily collection of garbage had not been cut in to pieces and covered with soil.
- (ii) No actions had been taken to spray mosquito oil in order to prevent spread of mosquitos and flees and to prevent bad smell.

- (iii) Solid wastes had been dumped without being segregated in terms of the national policies.

3.2 Management Inefficiencies

The following matters were observed.

- (a) The Sabha had failed to renew membership of 629 library members in four libraries belonging to the Sabha annually.
- (b) According to the proposal of His Excellency the President for the purpose of eliminating poverty from the people, cabinet approval had been obtained for declaring the year 2017 as the poverty alleviation year. Accordingly, a sum of Rs. 75,000 had been allocated in the budget of the Sabha for the year under review. However, no meaningful actions had been taken to implement this scheme properly.

3.3 Human Resources Management

It was observed in audit that the Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 06 human resources had been delayed.

3.4 Assets Management

3.4.1 Annual Board of Survey

According to the report of the annual board of survey for the year under review, no meaningful actions had been taken by the Sabha in respect of 03 inventory items to be repaired.

3.4.2 Failure to carry out Maintenance and Repairs

No actions had been taken to repair 02 drinking water bowsers remained in damaged condition.

3.4.3 Failure to handed over Assets

Four tractors being used by the Sabha had not been owned by the Sabha.

3.4.4 Idle Assets

The following matters were observed.

- (a) A slaughter house valued at Rs. 3,694,656 constructed at Tellippalai from the specific fund of the Northern Provincial Council and handed over to the Sabha on 15 December 2014 had remained idle for the last 03 years without being used for the intended purpose.

- (b) A building for sewerage treatment valued at Rs. 6,567,550 constructed at Varuththalaivilaan from the fund given by the Ministry of Provincial Councils and Local Government and handed over to the Sabha on 21 December 2016 had remained idle without being used for the intended purpose.

3.5 Procurement

3.5.1 Procurement Plan

The Sabha had not prepared a procurement plan for the year under review according to the section 4.2 of the Procurement Guideline of the year 2006.

3.5.2 Activity Plan

The Sabha had not prepared a annual activity plan for the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from Rs. 893 to Rs. 12,421,892 or from 0.87 per cent to 52.36 per cent between the budgeted revenue and actual revenue and from Rs. 660 to Rs. 7,854,746 or 0.17 per cent to 11.98 per cent between the budgeted expenditure and actual expenditure were observed.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

Systems	Deficiencies
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Accounting	Failure to maintain register of assessment tax on property, register of business license fees, register of library books, register of measurement sheets, register of tax on land sales and register of vehicle.