

**Valikamam West Pradeshiya Sabha**  
**Jaffna District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented to Audit on 27 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 30 September 2018.

**1.2 Qualified Opinion**

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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 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Policies**

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Accounting policies adopted in preparing the financial statements had not been disclosed in the financial statements.

**1.3.2 Accounting Deficiencies**

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The following matters were observed.

- (a) Values of forty seven properties and two vehicles not belonging to the Sabha totalling Rs. 22,555,483 and Rs. 938,415 respectively had been included in the financial statements, thus the values of the properties and motor vehicles had been overstated in the financial statements of the year under review.
- (b) The value of the head office building of the Sabha constructed at a cost of Rs. 36,983,745 in the year 2013 had been brought to financial statements as Rs. 25,727,986, thus the value of the land and buildings had been understated by Rs. 11,255,759 in the financial statements of the year under review.
- (c) Excess provisions totalling Rs. 47,015 in respect of 05 contracts of construction works completed in the preceding years had been shown in the sundry debtors account for the last 02 years without being transferred to accumulated fund, thus accumulated fund had been understated by Rs. 47,015 in the financial statements of the year under review.

### 1.3.3 Accounts Receivable and Payable

#### (a) Accounts Receivable

According to the national work scheme of strengthening of Pradeshiya Sabhas of the Ministry of Provincial Councils and Local Government, payments had been made from the fund of the Sabha to three contractors for 11 development works totalling Rs. 2,231,150 completed in the years 2015 and 2016. However, it had been shown in the financial statements continuously as an advance paid from the fund of the Sabha for the period of last 01 year to 02 years without being taken meaningful actions to obtain receivable fund properly from the relevant ministry

#### (b) Accounts Payable

No meaningful actions had been taken by the Sabha up to the end of the year under review to pay total sum of Rs. 743,872 payable to two contractors in respect of completed works of contract.

### 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)	4,420,482	A warrant had not been issued by the Secretary of the Sabha to the defaulters of the arrears of assessment tax on property.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	1,229,064	Fourty nine lapsed deposits had been retained in the deposit account for the last 02 years to 04 years without being taken meaningful actions by the Sabha.
(c) Public Administration Circular No. 13/2008 of 26 June 2008		No actions had been taken to submit daily running charts of nine vehicles before 15 <sup>th</sup> day of the following month for audit.

- (d) Finance circular of Northern Province  
No. PF/01/2017 of 07 March 2017

Security money had not been obtained by the Sabha from 03 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. 25,785,467 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 28,045,949.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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.
(i) Rates and Taxes	2,186,955	78,095,303	2,260,298	5,338,480	2,570,965	403,506	2,234,827	4,803,580
(ii) Rentals	12,719,392	-	10,924,286	22,472	13,271,144	-	10,660,006	19,197
(iii) License Fees	1,820,000	-	1,882,427	15,500	1,816,000	-	1,654,520	43,000
(iv) Other Revenue	19,253,000	-	26,620,190	69,474,678	15,963,500	-	22,322,954	66,404,728
	<b>35,979,347</b>	<b>78,095,303</b>	<b>41,687,201</b>	<b>774,851,130</b>	<b>33,621,609</b>	<b>403,506</b>	<b>36,872,307</b>	<b>71,270,505</b>

#### 2.2.2 Rates and Taxes

The following matters were observed.

##### (a) Rates

No meaningful actions had been taken by the Sabha to recover arrears of assessment tax on property of Rs. 4,420,482 for the period of last 01 year to 21 years.

##### (b) Water Tax

No meaningful actions had been taken by the Sabha to recover arrears of water tax totalling Rs. 210,535 for the period of last 01 year to 13 years.

### **2.2.3 Court Fines and Stamp Fees**

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Court fines of Rs. 376,691 and stamp fees of Rs. 218,612 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

## **3. Operating Review**

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### **3.1 Performance**

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The following matters were observed.

#### **(a) Abandoned Activities**

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The following matters were observed.

- (i) Activities had been abandoned without being obtained expected benefits from the multipurpose hall constructed at a cost of Rs. 35.21 million in the year 2011.
- (ii) According to the budget for the year under review, sixteen capital work schemes to be implemented by the Sabha totalling Rs. 49.9 million had been completely abandoned.

#### **(b) Solid Waste Management**

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The following matters were observed.

- (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 for preventing spread of mosquitos and flees and to prevent bad smell.
- (iii) Solid wastes had been burnt without being segregated in terms of the national policies.

### **3.2 Human Resources Management**

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The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 07 human resources had been delayed.

### **3.3 Assets Management**

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#### **3.3.1 Failure to hand over Assets**

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Six vehicles being used by the Sabha had not been owned by the Sabha.

**3.3.2 Idle Assets**

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The following matters were observed.

- (a) The Sabha had not taken action to use Ponnalai rural market constructed at a cost of Rs. 884,992 for the last two years.
- (b) Two vehicles, slaughter house and previous head office building etc. belonging to the Sabha had remained idle for the last 02 years to 15 years.

**4. Accountability and Good Governance**

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**Budgetary Control**

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Variances ranging from Rs. 62,427 to Rs. 5,044,754 or from 03 per cent to 10 per cent between the budgeted revenue and actual revenue and from Rs. 48,873 to Rs. 6,008,323 or 06 per cent to 12 per cent between the budgeted expenditure and actual expenditure were observed.

**5. Systems and Controls**

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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**

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Accounting

**Deficiencies**

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Failure to maintain register of losses, register of street lamps, register of measurement sheets, register of tax on land sales and register of employee security