

Valikamam East 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 30 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 East 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

The following matters were observed.

- (a) Two vehicles issued to the Sabha as donation and being used by the Sabha for the period of last 08 years to 17 years had not been owned by the Sabha. However, values thereof totalling Rs. 2,670,000 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.
- (b) The value of the head office building had not been assessed by the Department of Valuation or recommended valuer and brought to financial statements, thus the value of the properties had been understated in the financial statements for the year under review.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Advances totalling Rs. 728,314 paid to the contractors for supplying name boards of roads and constructing community center in the year under review had been shown as receivable continuously without completing respective activities. However, reasons for it had not been made available for audit.

(b) **Accounts Payable**

Provision of Rs. 160,000 made in the sundry creditors account for community center donation had not been settled to the respective centers. However, reasons for it had not been made available for audit.

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 140 | | For the preparation of a new assessment, the annual value of each house, building land and tenement within the limits of any Pradeshiya Sabha had not been assessed by the Chief Valuer or any person or persons approved by the Pradeshiya Sabha with the approval of the Assistant Commissioner. |
| (b) Finance circular of Northern Province No. PF/01/2017 of 07 March 2017 | 107,500 | Security money had not been obtained from 09 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. 88,557,121 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 67,689,361.

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 | 596,560 | 892,747 | 555,195 | 5,388,509 | 599,850 | - | 626,375 | 5,245,770 |
| (ii) Rentals | 18,811,450 | - | 20,774,317 | 329,575 | 14,060,970 | - | 15,475,850 | 329,575 |
| (iii) License Fees | 1,968,500 | - | 2,425,256 | - | 1,807,750 | - | 2,069,960 | - |
| (iv) Other Revenue | 53,478,250 | - | 75,150,197 | 33,317 | 49,027,170 | - | 122,950,226 | 33,317 |
| | 74,854,760 | 892,747 | 98,904,965 | 5,751,401 | 65,495,740 | - | 141,122,411 | 5,608,662 |

2.2.2 Rates and Taxes

No meaningful actions had been taken by the Sabha to recover arrears of assessment tax on property totalling Rs. 5,388,509 for the period of last 01 year to 05 years.

2.2.3 Rentals

Lease on Trade Ownership

No meaningful action had been taken by the Sabha to recover arrears of lease rent and fines of meat stall totalling Rs. 324,175 for the period of last 05 years.

2.2.4 Court Fines and Stamp Fees

Court fines of Rs. 8,082,550 and stamp fees of Rs. 36,580,526 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

Abandoned Activities

It was planned to carry out two capital work schemes valued at Rs. 16.9 million by using the fund of the Sabha. However, such work schemes had been completely abandoned in the year under review.

3.2 Human Resources Management

The following matters were observed.

(a) The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 17 human resources had been delayed.

(b) Employee Loans

No meaningful actions had been taken by the Sabha for more than one year in respect of distress loan recoverable from an officer who retired from service and arrears of widow's and widower's pension totalling Rs. 17,062.

3.3 Operating Inefficiencies

Register in respect of assessment tax on property for Sub Office, Puththur of the Sabha had been destroyed in the year 1995. However, the register had not been prepared up to now.

3.4 Assets Management

Failure to carry out Maintenance and Repairs

A two-wheel tractor had not been repaired for more than 05 years. As such, it was not able to utilize continuously.

4. Accountability and Good Governance

Budgetary Control

Variances ranging from Rs. 41,365 to Rs. 13,368,956 or from 07 per cent to 28 per cent between the budgeted revenue and actual revenue and from Rs. 2,529 to Rs. 12,176,002 or 01 per cent to 21 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

Accounting

Deficiencies

Failure to maintain register of tax on land sales.