

**Velanai 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 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**

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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 Velanai 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) Twenty-three vehicles being used by the Sabha in the year under review had not been owned by the Sabha. However, values thereof totalling Rs. 18,215,636 had been assessed and included in the financial statements, thus the value of the motor vehicles had been overstated by Rs. 18,215,636 in the financial statements for the year under review.
- (b) Values of fifteen cemetery buildings constructed and being used by the Sabha had not been assessed by an approved valuer and brought to the financial statements for the last 1 year to 5 years, thus the value of the buildings had been understated in the financial statements.

### 1.3.3 Accounts Receivable and Payable

#### Accounts Payable

The following matters were observed.

- (i) A court verdict had been obtained in respect of salaries and wages of Rs. 29,335 which had not been paid to an officer since the year 2015. However, respective actions had not been taken accordingly.
- (ii) Contribution of employees totalling Rs. 10,810 had been retained in the miscellaneous deposit account for the last 12 years without being remitted to the employee contribution fund.
- (iii) Contribution to widows'/ widowers' and orphans' fund totalling Rs. 10,468 had been retained in the miscellaneous deposit account for the last nine years without being remitted to the Director General of Pension.

### 1.3.4 Non-compliances

#### 1.3.4.1 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 (Financial and Administrative) Rule of the year 1988 Section 32 of the Chapter III		The register in respect of assessment tax on property had not been maintained by the Sabha and rates and taxes had not been recovered in the year under review.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	102,782	No meaningful actions had been taken in respect of three categories of lapsed deposits.
(c) Ministry of Public Administration and Management Circular (i) No. 30/2016 of 29 December 2016		Fuel consumption had not been tested for 27 vehicles of the Sabha for the period of last one year.

(ii) No. 13/2008 of 26 June 2008

No action had been taken to submit daily running charts of 10 vehicles to audit before 15<sup>th</sup> day of the following month.

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

Security money had not been paid by 08 officers.

### 1.3.4.2 Non-compliance with Tax Requirements

Annual vehicle revenue license had not been computed and paid for 35 vehicles being used by the Sabha for the year under review.

## 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. 9,196,073 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 11,181,818.

### 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			Total Arrears as at 31 December	2016			Total Arrears as at 31 December
	Estimated Revenue	Billed Revenue	Collected Revenue		Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	663,800	–	970,400	–	796,800	–	710,617	–
Rentals	684,900	–	3,150,962	115,271	1,418,200	–	1,385,090	150,183
License Fees	379,000	–	297,480	–	244,900	–	314,470	–
Other Revenue	8,049,790	–	7,444,548	–	6,929,250	–	11,811,313	–
	<b>9,777,490</b>	–	<b>11,863,390</b>	<b>115,271</b>	<b>9,386,150</b>	–	<b>14,221,490</b>	<b>150,183</b>

(b) Revenue of rates and taxes had not been scheduled as the assessment of properties had not been carried out by the Sabha.

### **2.2.2 Lease Charges**

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No meaningful actions had been taken by the Sabha to recover arrears of lease totalling Rs. 89,021 for the year under review in respect of 07 leased out properties.

### **2.2.3 Stamp Fees**

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Stamp fees of Rs. 2,004,750 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

### **2.3 Surcharges**

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Fines of Rs. 2,670 had been paid from the fund of the Sabha due to delay payment of annual vehicle revenue license for two official vehicles. However, it could not be recovered from the responsible officer and reasons for it had not been informed to audit.

## **3. Operating Review**

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### **3.1 Performance**

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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**

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Solid wastes had been collected within the authority area of Velanai Sub Office and Allaippitty Sub Office and dumped in the solid waste collecting area at Arali. However, no meaningful actions had been taken by the Sabha to segregate those wastes as per national policies.

### **3.2 Operating Inefficiencies**

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No meaningful actions had been taken by the Sabha to assess and recover rates and taxes for 6,183 properties for the last 05 years.

### **3.3 Management Inefficiencies**

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The following matters were observed.

- (a) No actions had been taken to renew rent contracts annually for 28 stalls belonging to the Sabha for over the last 05 years.
- (b) No meaningful actions had been taken to grant permission for cremation of body and recover cemetery tax in 15 cemeteries.

- (c) Approval for building and annual tax had not been assessed and obtained in respect of four telecommunication towers.
- (d) A sum of Rs. 25,000 had been allocated in the budget of the year under review for poverty alleviation activities. However, it had not been implemented.

### **3.4 Human Resources Management**

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The following matters were observed.

- (a) It was observed in audit that the Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 22 human resources had been delayed.
- (b) No meaningful actions had been taken by the Sabha for more than last ten years to recover arrears of staff loan amounting to Rs. 35,295 due from an officer who left from service .

### **3.5 Contract Administration**

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#### **Projects completely abandoned**

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Seventy two projects to be implemented in the year under review had completely been abandoned without being implemented them as revenue had not been obtained by the Sabha sufficiently.

### **3.6 Assets Management**

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#### **3.6.1 Idle Assets**

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The following matters were observed.

- (a) A fitness center and a market complex valued at Rs. 19,174,046 had remained idle for the last 01 year to 02 years.
- (b) Eighteen vehicles belonging to the Sabha had remained idle.
- (c) Thirteen properties including markets and stalls belonging to the Sabha to be leased out had remained idle up to now without being utilized for intended purposes.
- (d) Six stalls belonging to the Sabha had remained idle for the last 01 year to 05 years.

#### **3.6.2 Annual Board of Survey**

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Shortages of 113 goods and excesses of 06 goods were observed when board of survey carried out at five sub offices and libraries of the Sabha. However, no meaningful actions had been taken in this regard in terms Provincial Financial Rule No. 365 of Northern Province.

### **3.6.3 Failure to hand over Assets**

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

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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Variiances ranging from Rs. 81,520 to Rs. 2,466,062 or from 21 per cent to 360 per cent between the budgeted revenue and actual revenue and from Rs. 3,220 to Rs. 9,477,509 or 11 per cent to 25 per cent between the budgeted expenditure and actual expenditure were observed.

### **4.2 Procurement**

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#### **4.2.1 Procurement Plan**

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A procurement plan had not been prepared by the Sabha for the year under review in terms of the section 4.2 of the Procurement Guideline of the year 2006.

#### **4.2.2 Audit and Management Committee Meeting**

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At least 04 Audit and Management Committee meetings should be conducted in order to carry out the activities of the Sabha efficiently. However, two Audit and Management Committee meetings had only been conducted in the year under review.

## **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 measurement sheets and register of tax on land sales.