

**Venkalacheddikulam Pradeshiya Sabha
Vavuniya 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 of the Sabha on 21 August 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 Venkalacheddikulam 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 Accounts Receivable and Payable

(a) Accounts Receivable

No meaningful actions had been taken by the Sabha to obtain an ayurvedic donation of Rs. 43,700 for the last 14 years. However, reasons for it had not been made available to audit.

(b) Accounts Payable

The following matters were observed.

- (i) No meaningful actions had been taken by the Sabha up to now to pay a sum of Rs.174,673 payable to suppliers in the preceding year.
- (ii) Security deposits totalling Rs. 20,000 repayable to 06 officers who had resigned and retired from their service had been retained in the deposit account continuously for over the last 05 years without being repaid.

1.3.2 Lack of Documentary Evidence for Audit

Non-presentation of Information to Audit

Six items totalling Rs. 4,473,906 had not been satisfactorily vouched or accepted in audit due to non-submission of required details.

1.3.3 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 (Financial and Administrative) Rule of the year 1988		
(i) Rule 217	-	A register in respect of land and buildings being used by the Sabha had not been maintained.
(ii) Rule 153	-	A statement of revenue receivable had not been prepared in form of Pradeshiya Sabha.
(iii) Rule 60	-	Survey in respect of details of enterprises under the purview of the Sabha had not been carried out in the beginning of the year.
(iv) Rule 165	-	Liabilities, revenue and expenses had not been entered in main ledger.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 1646	-	Monthly vehicle running charts and summaries had not been submitted to audit before 15 th of the following month.
(ii) Financial Regulation 571	34,420	No meaningful actions had been taken in respect of three lapsed deposits totalling Rs. 34,420 for the last one year to three years.
(c) Public Administration Circular		
No. 30/2016 dated 29 December 2016	-	Fuel consumption had not been tested for the vehicles for over the last one year.

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. 4,202,522 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 12,955,022.

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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rentals	8,076,210	-	8,454,332	-	9,361,840	-	9,235,531
(ii) License Fees	976,550	-	789,325	187,225	621,000	-	706,966
(iii) Other Revenue	24,681,987	-	13,160,663	11,521,323	14,332,895	-	9,548,542

2.2.2 Rent

No meaningful actions had been taken by the Sabha to recover arrears of lease totalling Rs. 28,750 for the last 21 years.

2.2.3 Court Fines and Stamp Fees

Court fines of Rs. 1,903,319 and stamp fees of Rs. 2,655,937 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

2.2.4 Other Revenue

No meaningful actions had been taken by the Sabha for the last 05 years to recover arrears of rent amounting to Rs. 138,165 to be recovered in respect of renting out of J.C.B, motor grader and motor roller belonging to the Sabha

3. Operating Review

3.1 Performance

(a) Solid Waste Management

The following matters were observed.

- (i) Environmental license had not been obtained for the places of disposing garbage.
- (ii) Sanitary labourers had not been subjected to medical test annually.
- (iii) Garbage had not been categorized differently and collected.
- (iv) A work plan for categorizing garbage being brought to the dumping place of garbage of the Sabha had not been implemented.

- (v) Training in respect of waste management had not been provided to officers.
- (vi) An information and data system required to waste management had not been maintained.
- (vii) Solid wastes had been set on fire in order to damage the environment without being subjected to recycling.

(b) Delays in Projects

A total sum of Rs. 49,760 had been paid for two contract works which estimated at a value of Rs. 710,510 and awarded to two suppliers by the Sabha in the year under review. However, no meaningful actions had been taken to complete those works for the last eight months to twelve months.

3.3 Assets Management

3.3.1 Annual Board of Survey

Five hundred and three stock items had been reported as unusable by the annual board of survey for the preceding year. However, no meaningful actions had been taken by the Sabha in this regard up to now in terms of Public Finance Circular No. 438 dated 13 November 2009.

3.3.2 Failure to handover Assets

It was observed that 06 vehicles not belonging of the Sabha were being used by the Sabha for over the last 03 years.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from an adverse amount of Rs. 4,377,873 to a favourable amount of Rs. 378,122 or from 15.76 per cent to 4.68 per cent between the budgeted revenue and actual revenue and from an adverse amount of Rs. 173,458 to a favourable amount of Rs. 4,674,801 or from 5.12 per cent to 16.42 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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(a) Assets/ Properties	(i) Failure to enter (ii) Failure to make protection
(b) Stocks	(i) Failure to enter in inventory register. (ii) Improper stock control.
(c) Projects/ Contracts	(i) Failure to enter agreements (ii) No adequate supervision