

**Valikamam North Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 27 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman of the Sabha on 30 June 2019 and 31 October 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
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Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	Accounting policies should be disclosed in the financial statements.	Not replied.

(b) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) Values of fifty five lands belonging to the Sabha had not been assessed and included in the accounts.	Values of the assets should be assessed and shown in the accounts.	Not replied.

- (ii) Values of three vehicles had not been assessed and included in the financial statements in the year under review, thus the values of the motor vehicles and cycles had been understated in the financial statements.
- Values of the vehicles should be assessed and shown in the books.
- Not replied.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
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(a) Sub section 16(2) of the National Audit Act No. 19 of 2018	An annual performance report had not been presented by the Sabha along with the financial statements.	Action should be taken in terms of said Act.	Action will be taken to submit an annual performance report along with the financial statements in future periods.
(b) Section 158 of Pradeshiya Sabhas Act No. 15 of the year 1987	Warrant had not been issued to the persons who had defaulted arrears of assessment tax on property totalling Rs. 519,328 by the Chairman.	Action should be taken in terms of said Act.	Action is being taken to recover arrears.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571	No action had been taken in respect of retention money to be refunded to the contractor.	Action should be taken as per said financial regulations.	Action had been taken to refund retention money of Rs. 474,473.
(d) Finance circular of Northern Province No. PE/01/2017 of 07 March 2017	Persons who should pay security money had not paid.	Action should be taken in terms of said circular.	Action is being taken to recover security money.

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| (e) | Public Administration Circular No. 30/2016 of 29 December 2016 | Fuel consumption had not been tested for 10 vehicles of the Sabha. | Action should be taken in terms of said circular. | Respective action is being taken. |
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1.4.2 Noncompliance with Tax Requirements

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
In terms of Section 154 of Pradeshiya Sabhas Act No. 15 of the year 1987, sales tax equivalent to 1% should be recovered on sales of certain lands. However, no action had been taken by the Sabha to recover them.	Action should be taken in terms of said Act.	Action will be taken to recover sales tax equivalent to 1% when selling lands by auction.

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 2018 amounted to Rs. 44,440,060 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 28,387,663.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected 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	2018				2017			
	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	98,100	-	226,795	519,328	101,800	-	83,786	645,129
Rentals	10,326,600	-	11,713,343	30,250	3,542,800	-	4,805,857	5,000
License Fees	1,620,300	-	2,134,165	-	1,627,900	-	1,452,349	-
Other Revenue	96,030,400	-	71,992,688	5,4725,678	28,575,700	-	68,911,316	31,000
	108,075,400	-	86,066,991	55,275,256	33,848,200	-	75,253,308	681,129

❖ Billed revenue had not been presented to audit.

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Collected revenue for the years 2017 and 2018 were Rs. 75,253,308 and Rs. 86,066,991 respectively, thus performance of revenue collection for the year 2018 had been increased by Rs. 10,813,683 as compared with the year 2017.	Billed revenue should be verified.	Not replied.
(b) Revenue had not been billed by the Sabha for over many years. It was revealed inefficient collection of revenue.	Revenue should be billed.	Not replied.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
No action had been taken to recover arrears of assessment tax on property totalling Rs. 469,742 as per register of assessment tax on property of the Sabha.	Action should be taken to recover arrears of rates and taxes.	Actions are being taken to recover balance amount of Rs. 469,742.

2.2.4 Court Fines and Stamp Fees

(a) Court Fines

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines totalling Rs. 2,749,012 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Action should be taken to recover arrears.	Action is being taken to recover fines.

(b) Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Stamp fees totalling Rs. 10,213,959 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Action should be taken to recover arrears.	Action is being taken to recover stamp fees.

3. Operating Review

3.1 Performance

The matters observed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

(a) **By-Laws**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
By-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabhas Act. But, all functions had not been implemented.	Action should be taken to implement all functions indicated in by-laws.	Action will be taken to implement all by-laws in future periods.

(b) **Action Plan**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
An annual action plan had not been prepared in respect of 30 activities to be implemented by the Sabha as per by-laws enacted.	An annual action plan should be prepared as per by-laws.	An annual action plan had been prepared.

(c) **Failure to make Provision**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Out of 24 activities to be implemented by the Sabha as per annual action plan prepared, provision had been made by annual budget for 13 activities only, thus 11 activities valued at Rs. 33,000,000 could not be implemented.	Programme should be prepared as per receiving revenue.	Out of these work schemes, action had been taken to implement 12 work schemes.

(d) Abandoned Activities

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A sum of Rs. 10,262,245 had been spent to start performance of 02 activities. However, those activities had been abandoned by 31 December 2018 without being obtained expected outcomes.	Action should be taken to use for the purpose which project was implemented.	Action is being taken to operate the slaughter house and sewerage treatment scheme.

(e) Solid Waste Management

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) The daily collection of garbage had not been cut in to pieces and covered with soil in the area which was selected to dispose solid wastes at Keerimalai.	Solid wastes should be cut in to pieces and covered with soil without being affect the environment.	Actions had been taken by the Sabha to cut the garbage in to pieces and covered with soil.
(ii) Solid wastes had been collected without being segregated in terms of the national policies.	Solid wastes should be segregated and collected.	Actions will be taken to segregate and dispose solid wastes soon.

(f) Environmental Issues

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes.	Respective actions should be taken.	Respective action will be taken.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
Properties of the sub offices, Kangesanthurai and Myliddy under the purview of the Sabha had been reassessed. However, no actions had been taken to maintain a register of assessment tax on property.	A register of assessment tax on property should be maintained by the Sabha properly.	Actions in respect of final reassessment for the properties of some sub offices are being taken at final stage.

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
It was observed in audit that the Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 04 human resources had been delayed.	Action should be taken to fill vacancies of the cadre.	Relevant action will be taken.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
Vehicles such as roller belonging to the Sabha had been used for generating revenue. However, expenditure was higher than revenue received thereby.	It should be certified that assets of the Sabha are used efficiently.	This vehicle had been used for clearing shrubs on the roads of the Pradeshiya Sabha.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
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No action had been taken to transfer ownership of 05 vehicles valued at Rs. 7,836,360 to the Sabha.	Action should be taken to transfer ownership of the vehicles.	Action had been taken to transfer ownership of the vehicles.

3.5.2 Idle Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
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Two vehicles had remained in unusable condition.	Actions should be taken to maintain vehicles properly.	Any final actions could not be taken in respect of the vehicles which did not have documents.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comment of the Accounting Officer
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Expenditure of the Sabha such as personnel emoluments, travel expenses, repair and maintenance of capital assets, interest payments, dividends, bonus, grants, pensions, retirement benefits and gratuities had been as favourable and supplying goods and requisite goods, loading and unloading, continuous utility services and other services, and expenditure had been as adverse.	Respective actions should be taken to plan the budget properly.	Not replied.