

**Valikamam South 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 19 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 South 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

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

Recommendation

Accounting policies should be disclosed in the financial statements.

**Comment of the
Accounting Officer**

Not replied

(b) Accounting Deficiencies

Audit Observation

Value of a roller issued to the Sabha as a donation had not been assessed and brought to financial statements for the last two years, thus the value of the vehicles had been understated in the financial statements.

Recommendation

Value of the roller should be assessed and included in the financial statements.

**Comment of the
Accounting Officer**

Action had been taken to assess the value of the roller and include in the assets.

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
(a) Sub section 16(2) of the National Audit Act No. 19 of 2018	An annual performance report had not been presented along with the financial statements.	Action should be taken in terms of instructions of said Act.	Not replied
(b) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 126(III) (f)	No actions had been taken by the Revenue Inspector in respect of 67 advertisements valued at Rs. 170,550 which had not been approved.	Action should be taken in terms of instructions of said Act.	Action will be taken to recover charges and remove the advertisements if not paid.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571	No actions had been taken in respect of tender deposits and retention money to be refunded to the contractor totalling Rs. 418,700.	Action should be taken as per instructions of said regulations.	Letter had been sent to the relevant persons for refunding.
(d) Finance circular of Northern Province No. PE/01/2017 of 07 March 2017	Security money had been paid by 30 officers who are administratively responsible to obtain or keep cash and store items in safe custody or were assigned such duties under delegation of authority. Arrears had not been received in terms of relevant circular.	Action should be taken in terms of instructions of said circular.	Action had been taken to recover security money.

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. 69,101,854 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 104,354,496.

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
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	14,118,700	-	14,936,876	20,698,175	14,028,700	-	15,105,496	17,254,351
Rentals	43,696,800	-	42,860,188	2,329,771	41,083,800	-	41,137,004	2,354,221
License Fees	4,978,000	-	2,896,341	-	6,293,000	-	8,305,231	21,250
Other Revenue	94,606,854	-	85,319,492	18,431,747	92,961,400	-	114,204,152	119,212,828
	157,400,354	-	146,012,897	41,459,693	154,366,900	-	178,751,883	138,842,650

❖ Billed revenue had not been presented to audit.

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comment of the Accounting Officer
Collected revenue for the years 2017 and 2018 were Rs. 178,751,883 and Rs. 146,012,897 respectively, thus performance of revenue collection for the year 2018 had been decreased by Rs. 32,738,986 as compared with the year 2017. However, billed revenue could not be verified.	Billed revenue should be verified.	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. 17,227,392 in the year under review.	Actions should be taken to recover arrears of assessment tax on property totally.	Arrears of assessment tax on property are being recovered.

2.2.4 Rents

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) No actions had been taken to recover arrears of stall rent totalling Rs. 92,090 in the year under review.	Actions should be taken to recover arrears totally.	A case had been held in respect of rent.
(b) No actions had been taken to recover arrears of lease totalling Rs. 2,120,526 in the year under review.	Actions should be taken to recover arrears totally.	A civil case is being held against the lessee.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines and stamp fees totalling Rs. 5,295,521 and Rs. 18,431,747 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Actions should be taken to recover arrears of court fines and arrears of stamp fees totally.	Action had been taken to recover arrears of court fines and arrears of 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) 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 for all activities.	An action plan will be prepared for all financial works in future periods.

(b) Failure to make Provision

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Out of 34 activities to be implemented by the Sabha as per annual action plan prepared, provision had been made by annual budget for 31 activities only, thus 03 activities valued at Rs. 6,325,000 could not be implemented.	Actions should be taken to implement activities as per budget.	Provision had been made from development fund reserve of the year 2017.

(c) Abandoned Activities

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Six activities had been started on the date which to be started. However, Such activities had not been completed up to date even a period of 04 to 07 months had been lapsed after ended contract period.	Action should be taken to complete activities in due period.	Contractors had been instructed to complete works.

(d) **Solid Waste Management**

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Expense of Rs. 2,709,810 had been incurred in the year under review for long term and short term projects carried out by the Sabha in respect of solid waste management and a sum of Rs. 2,137,647 had been received as revenue of the Sabha.	Action should be taken as per national policies.	A sum of Rs. 2,709,810 had been spent as expenditure and a sum of Rs. 2,137,647 had been received as revenue in the year under review.
(ii) Covered vehicles had not been used for collecting solid wastes and garbage had been collected in open vehicles, thus there were health issues to the public when they travel on roads and more garbage had been dumped on the roads by the vehicles.	Action should be taken to prevent health issues by using covered vehicles.	Action will be taken to use covered vehicles.
(iii) Sanitary labourers who were employed in solid waste activities had not been subjected to medical test by the Sabha from time to time.	Evidences that sanitary labourers had been subjected to medical test should be presented.	Immunization was injected to the sanitary labourers in every year.

(e) **Environmental Issues**

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) 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.	Actions should be taken to spray mosquito oil for preventing spread of mosquitos and to prevent bad smell.	Any spraying tools had not been recommended for preventing spread of mosquitos.
(ii) Construction works of sewerage treatment center	Action should be taken to complete the	It had not been handed over due to

being constructed by the Jaffna District Secretariat since 08 September 2016 at Koththiyalady area of Chunnakam under the purview of the Sabha by using fund allocation of Ministry of Prison, Reforms, Rehabilitation and Hindu Religious Affairs had been suspended on 13 March 2018. Construction works of this sewerage treatment center had not been completed up to now, thus there was not able to carry out treatment of sewerages within the authority area of the Sabha.

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non-completion of construction works of sewerage treatment center.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Reports to be prepared by the Local Government Assistant had not been presented in due periods, thus main functions of the Pradeshiya Sabha had not been completed.	Actions should be taken to prepare and submit reports in due periods.	Not replied.
(b) A citizen charter of the general public had been displayed by the Pradeshiya Sabha. However, contrary to mention therein, services provided to general public had been delayed.	Services should be provided to the general public in due periods.	It was provided with delay due to delay of other departments.
(c) No action had been taken by the Sabha to settle advance of contract valued at Rs. 600,000 in the year 2018.	Action should be taken to settle advance.	Advance will be settled as soon as received inquiry report of the Local Government Department.

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| (d) | Public had encroached and occupied in a land in extent of 32 lachams belonging to the Pradeshiya Sabha in unapproved manner. No legal actions had been taken by the Pradeshiya Sabha in respect of this residency. | Action should be taken to complete the case in respect of encroached residency soon. | A case is being held in respect of encroached residency. |
| (e) | Fixed deposit fund valued at Rs. 207,997,141 had been deposited in the bank in order to generate interest revenue without being used for implementing development work schemes in the year under review. | Action should be taken to use fixed deposit fund for intended purposes. | It had been allocated in the development reserve account by indicating purpose for deposits. |

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
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The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 17 human resources had been delayed.	Staff should be appointed in equal manner to approved cadre.	Action had been taken to fill vacancies.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) It was mentioned that the Sabha should issue “K” form to the owners of the properties to recover rates and taxes of lands and constructed houses and buildings under the purview of the Sabha annually in terms of section 134 of the Pradeshiya Sabhas Act No. 15 of 1987. However, “K” form had not been issued in respect of 24,669 properties in the year 2018.	Actions should be taken to issue “K” forms in due periods.	These errors will be rectified in future periods.

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| (b) | A Case No. AR/175/15 had been filed against the Sabha in respect of solid waste collection center, Kallundaai. However, Expenses therefor had not been shown as contingent liability in the financial statements. | Expenses for the case should be shown as contingent liability in the financial statements. | These errors will be avoided in future periods. |
| (c) | It was observed that a Case No. L/168 in respect of ownership of Valinungai land in extent of 60 lachams purchased by the Sabha at Rs. 3,242,600 on 05 April 2000 was being held since 05 December 2002 at District Court, Mallakam. However, Expenses therefor had not been shown as contingent liability in the financial statements. | Expenses for the case should be shown as contingent liability in the financial statements. | The case in respect of Valinungai land had been as arrears, thus it had not been disclosed in the financial statements. |

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 07 vehicles being used by the Sabha, to the Sabha.	Action should be taken to transfer ownership of the vehicles.	Action is being taken to transfer the ownership.

3.5.2 Annual Board of Survey

Audit Observation	Recommendation	Comment of the Accounting Officer
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Twenty five books had not been presented for annual board of survey at sub office, Chunnakam.	Respective actions should be taken in respect of books not presented for verification.	Not replied.

3.6 Procurement

Procurement Plan

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Repurchase order had not been implemented in terms of Government Procurement Guideline 3.6.1.	Repurchase order should be implemented.	Repurchase order will be implemented in future periods in terms of Government Procurement Guideline 3.6.1.
(b) Procurement discipline had not been implemented in terms of Government Procurement Guideline 1.4.	Procurement discipline should be implemented.	Procurement discipline will be implemented in terms of Government Procurement Guideline 1.4.
(c) Performance bond security had not been obtained from the contractors.	Performance bond security should be obtained.	Performance bond security will be obtained in future periods.

4. Accountability and Good Governance

Budgetary Control

Audit Observation	Recommendation	Comment of the Accounting Officer
When comparing the budgeted recurrent expenditure and actual recurrent expenditure of the Sabha, a favourable variance of Rs. 18,376,151 was incurred.	Respective actions should be taken to plan the budget properly.	Not replied.