

**Valikamam West 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 28 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 West 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

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.

1.4 Contingent Liabilities

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) It was observed that a Case No. 2385/18 filed against the Sabha in respect of failure to grant building permission for a declaration deed was being held since 23 May	Expenses in respect of the case should be shown as contingent liability in the financial statements.	It will be disclosed in the financial statements in future periods.

2018 at court. However, Expenses therefor had not been shown as contingent liability in the financial statements.

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| (b) | It was observed that a Case No. 51/13 filed against the Sabha in respect of the land vested to the Pradeshiya Sabha by several parties was being held since 29 March 2018 at court. However, Expenses therefor had not been shown as contingent liability in the financial statements. | Expenses in respect of the case should be shown as contingent liability in the financial statements. | It will be disclosed in the financial statements in future periods. |
| (c) | It was observed that a Case No. Land/02/2015 filed against the Sabha in respect of lease of fish market land was being held since 24 August 2015 at court. However, Expenses therefor had not been shown as contingent liability in the financial statements. | Expenses in respect of the case should be shown as contingent liability in the financial statements. | It will be disclosed in the financial statements in future periods. |
| (d) | It was observed that a Case No. 171/2017 filed against the Sabha in respect of protestation of slaughtering animals was being held since 12 December 2017 at court. However, Expenses therefor had not been shown as contingent liability in the financial statements. | Expenses in respect of the case should be shown as contingent liability in the financial statements. | It will be disclosed in the financial statements in future periods. |
| (e) | It was observed that a Case No. Land/373/2018 filed against the Sabha in | Expenses in respect of the case should be shown as contingent | It will be disclosed in the financial statements in future |

respect of lease of fish market land was being held since 22 February 2018 at court. However, Expenses therefor had not been shown as contingent liability in the financial statements.

liability in the financial statements. periods.

1.5 Non-compliances

1.5.1 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.	Report had been prepared. However, it had not been attached with the financial statements erroneously.
(b) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	Warrant had not been issued by the Secretary to the defaulters of arrears of assessment tax on property totalling Rs. 42,615,065.	Action should be taken in terms of instructions of said Act.	Warrant will be issued by preparing a schedule of arrears in future periods.
(c) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Section 32 of Chapter III Section 193 of Chapter X	A statement including explanation for variances by comparing details of actual revenue and expenditure for the year under review with the budget had not been prepared and submitted to audit.	Action should be taken in terms of instructions of said Rules.	Action will be taken to attach with the financial statements from current year.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571	No action had been taken in respect of deposits totalling Rs. 1,237,247 for over two years.	Action should be taken as per instructions of said regulations.	Letters and reminding letters are being forwarded to relevant persons.

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. 74,743,374 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 25,785,467.

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.
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Rates and Taxes	9,339,672	-	9,455,490	9,945,885	2,186,955	-	2,260,298	5,338,480
Rentals	11,253,600	-	52,024,138	11,733	12,719,392	-	10,924,286	22,473
License Fees	1,852,500	-	2,006,506	24,000	1,820,000	-	1,882,427	15,500
Other Revenue	67,434,237	-	80,453,581	32,799,789	6,999,772	-	70,322,151	69,474,679
	89,880,009	-	143,939,715	42,781,407	84,726,119	-	85,389,162	74,851,132

❖ Billed revenue had not been presented to audit.

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Revenue had not been billed by the Sabha for the last 5 years, thus it shows inefficient collection of revenue.	Billed revenue should be verified.	Action will be taken to bill and collect revenue in future periods.

2.2.3 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) No actions had been taken to recover arrears of rates and taxes totalling Rs. 42,615,065 in the year under review.	Actions should be taken to recover arrears totally.	Arrears are being recovered.
(b) No actions had been taken by the Sabha to recover	Actions should be taken to recover	Action is being taken to recover in current year.

arrears of water tax arrears totally.
 totalling Rs. 294,430 in the
 year under review.

2.2.4 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
No actions had been taken by the Sabha to recover arrears of trade license totalling Rs. 14,000 in the year under review.	Actions should be taken to recover arrears totally.	Action is being taken to recover.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines and stamp fees totalling Rs. 1,321,786 and Rs. 29,830,508 respectively 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 of court fines and arrears of stamp fees.	It will be included in relevant accounts as soon as received.

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, by-laws had been enacted for 06 functions only even as at 31 December 2018.	By-laws should be enacted for all functions.	Action will be taken to publish remaining by-laws in the Gazette in current year.

(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.	An annual action plan should be prepared for all activities.	It is being done from current year.

(c) Solid Waste Management

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Expense of Rs. 507,372 had been incurred for long term and short term projects carried out by the Sabha in respect of solid wastes. However, a sum of Rs. 259,900 had only been received as a revenue of the Sabha.	Action should be taken to increase revenue and decrease expenditure.	Not replied.
(ii) Sanitary labourers who were employed in solid waste activities had not been subjected to medical test by the Pradeshiya Sabha from time to time.	Sanitary labourers should be subjected to medical test from time to time.	Not replied.
(iii) A relevant area had been selected for disposing solid wastes. However, it was observed that solid wastes were collected and set on fire without being segregated as per national policies. Further, the daily collection of garbage had not been cut in to pieces and covered with soil in the area of dumping garbage.	Action should be taken in terms of national policies.	Action will be taken to segregate garbage as soon as receiving relevant provisions.

(d) 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.	Actions should be taken to spray mosquito oil and prevent bad smell.	Not replied.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) A sum of Rs. 86,226,540 was being maintained by the Sabha as a fixed deposit without being used for development requirements of the areas under the purview of the Pradeshiya Sabha	Action should be taken to use the fund for intended purposes.	Those works are being carried out in current year.
(b) No actions had been taken by the Sabha to recover advances in respect of contract works valued at Rs. 2,231,150 receivable for the years 2016 and 2017.	Advances should be rectified in due periods.	Action will be taken to rectify it as soon as the payment will be received from the Ministry of Local Government.

3.3 Human Resources Management

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 16 human resources had been delayed.	Staff should be appointed in equal manner to approved cadre.	Action is being taken to fill vacancies.

3.4 Operating Inefficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No action had been taken by the Sabha in respect of 27 payments valued at Rs. 608,806 payable to employees.	Payments to be paid to the employees should be made in due periods.	Action will be taken to rectify the deposits in current year

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Ownership of 47 properties valued at Rs. 22,355,483 not owned had not been transferred to the Sabha.	Action should be taken to transfer ownership of the properties.	Action will be taken by obtaining decision of the Sabha.
(b) No action had been taken to transfer ownership of 03 vehicles being used by the Sabha.	Ownership of the vehicles should be transferred.	Ownership could not be transferred due to lack of ownership documents.

3.5.2 Idle Assets

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A pickup vehicle No. 252-6540 and a towable water bowser No. WPHO – 0557 had remained idle for the period of 04 to 16 years.	Relevant actions should be taken in respect of said vehicles.	Pickup vehicle had to be repaired and ownership of towable water bowser could not be transferred due to non-receiving documents

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
Personnel emoluments and other expenses had been as adverse and favourable respectively.	Respective actions should be taken to plan the budget properly.	Budget will be prepared in an actuarial manner in future periods.