

**Valikamam East 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 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 May 2019 and 31 October 2019 respectively.

**1.2 Qualified Opinion**

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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 East 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**

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**(a) Accounting Policies**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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Accounting policies adopted in preparing the financial statements had not been disclosed in the financial statements.	Accounting policies should be disclosed in the financial statements.	Action will be taken to disclose in the financial statements in future periods.

**(b) Accounting Deficiencies**

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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Value of the head office building had not been assessed by the Department of Valuation and brought to accounts, thus the value of the building had been understated in the accounts.	It should be assessed by the Department of Valuation and brought to accounts in the financial statements	A request had been sent to the department.

## 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.	Respective action will be taken.
(b) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 126(III) (f)	No meaningful actions had been taken by the Revenue inspector in respect of 58 advertisements which had not been approved.	Action should be taken in terms of instructions of said Act.	Action is being taken to recover advertisement charges.
(c) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 – 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.	Action should be taken in terms of instructions of said Rules.	It will be presented along with the financial statements in future periods.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 371	Advances totalling Rs. 314,897.00 paid to outside persons by the Sabha had not been settled.	Action should be taken as per instructions of said financial regulation.	Respective action will be taken.
(ii) Financial Regulation 571	No action had been taken in respect of 39 retention money and tender deposits totalling Rs. 2,557,886.00 to be refunded to the contractor.	Action should be taken as per instructions of said financial regulations.	Action is being taken to refund as per financial regulations.

- (e) Finance circular of Northern Province No. PE/01/2017 of 07 March 2017 Fuel consumption had not been tested for 04 vehicles of the Sabha. Action should be taken in terms of instructions of said circular. Action is being taken to test fuel consumption of said 04 vehicles.

#### 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.	Commission should be recovered from advertisement centres and banks and institutions which were being obtained through commission through obtaining sales details.	Actions will be taken to recover tax possibly.

## 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. 91,347,285 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 88,557,121.

### 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	674,390	-	4,789,809	7,818,398	596,560	-	555,195	5,388,509
Rentals	19,958,110	-	16,211,489	355,891	18,811,450	-	20,774,317	362,892
License Fees	4,494,100	-	4,873,396	15,000	3,467,700	-	5,112,490	-
Other Revenue	115,379,590	-	136,701,293		108,885,210	-	116,554,249	-
	<b>140,506,190</b>	<b>-</b>	<b>162,575,987</b>	<b>8,189,289</b>	<b>131,760,920</b>	<b>-</b>	<b>142,996,251</b>	<b>5,751,401</b>

❖ Billed revenue had not been presented to audit.

## 2.2.2 Performance in Collection of Revenue

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(a) Collected revenue for the years 2017 and 2018 were Rs. 142,996,250 and Rs. 162,575,986 respectively, thus performance of revenue collection for the year 2018 had been increased by Rs. 19,579,736 as compared with the year 2017. However, billed revenue could not be verified.	Billed revenue should be verified.	Action will be taken to bill and collect revenue in future periods.
(b) No meaningful actions had been taken by the Sabha to bill and collect its revenue for the last 05 years.	Actions should be taken to bill and collect revenue	Action will be taken to bill and collect revenue in future periods.

## 2.2.3 Rates and Taxes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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No action had been taken by the Sabha to recover arrears of rates and taxes totalling Rs. 7,818,395 for the year under review.	Action should be taken to recover arrears of rates and taxes of properties.	Action will be taken to recover said arrears of rates and taxes.

## 2.2.4 Rents

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(a) No action had been taken by the Sabha to recover arrears of stall rent of the year under review totalling Rs. 14,000.	Action should be taken to recover arrears of stall rent.	Legal action had been taken to recover arrears by the court.

(b) No action had been taken by the Sabha to recover arrears of lease and fines of the year under review totalling Rs. 324,174 for the last 06 years.	Action should be taken to recover arrears of market lease.	Court action had been taken to recover arrears.
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**2.2.5 Court Fines and Stamp Fees**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Court fines and stamp fees totalling Rs. 9,106,873 and Rs. 199,013,058 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.	Action had been taken to recover.

**3. Operating Review**  
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**3.1 Performance**  
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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**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
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 26 functions only even as at 31 December 2018.	Action should be taken to enact by-laws for implementing all functions indicated.	Action is being taken to enact by-laws.

**(b) Action Plan**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
An annual action plan had not been prepared in respect of 26 activities to be implemented by the Sabha as per by-laws enacted.	An annual action plan should be prepared as per by-laws.	Action is being taken to prepare an annual action plan and act accordingly.

**(c) Solid Waste Management**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) 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.	Covered vehicles should be used for collecting solid wastes.	Covered vehicles will be used in future periods.
(ii) Fourty three sanitary labourers who were employed in solid waste activities had not been subjected to medical test by the Sabha annually.	Sanitary labourers should be subjected to medical test annually.	Action will be taken to subject to medical test in future periods.
(iii) Solid wastes had been collected without being segregated.	Action should be taken to segregate and collect solid wastes.	Action is being taken to segregate and collect.

**(d) Environmental Issues**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area	Actions should be taken to prevent.	Action will be taken to prevent in future periods.

selected for disposing solid wastes.

### 3.2 Management Inefficiencies

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Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Fixed deposit of sinking fund deposited by the Sabha for replacing vehicle tyres had remained as deposit continuously without being used for intended purposes.	Sinking fund deposits should be used for intended purpose.	Not replied.
(b) No action had been taken in respect of grants of community centers totalling Rs. 260,000 paid in the years 2016 and 2017.	Actions should be taken to pay grants of community centers.	Actions are being taken to pay grants.
(c) A register of assessment tax on property of the sub office, Puttur had been destroyed in the year 1995. However, no meaningful actions had been taken to prepare a register and recover assessment tax on property up to now.	Action should be taken to accelerate works of preparing a register of assessment tax on property.	Actions are being taken to prepare a register of assessment tax on property.
(d) A slaughter house constructed at a cost of Rs. 1,348,298 in the year 2015 had remained idle for 05 years. However, no action had been taken to operate this slaughter house.	Action should be taken to operate the slaughter house.	Action is being taken to operate the slaughter house.
(e) A citizen charter of the general public had been displayed by the Pradeshiya Sabha. However, contrary to mentioned therein, services provided to general public had been delayed.	Action should be taken to provide services to the general public in due periods.	Action will be taken to provide services to the general public in due periods.

### 3.3 Human Resources Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>-----</p> <p>The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 21 human resources had been delayed.</p>	<p>-----</p> <p>Actions should be taken to fill vacancies of the cadre.</p>	<p>-----</p> <p>Actions had been taken to recruit staffs for vacancies.</p>

### 3.4 Operating Inefficiencies

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>-----</p> <p>(a) Lease of Rs. 300,000 for meat stall which was given by the Pradeshiya Sabha on the basis of lease in the year 2016 had not been recovered from the lessee for 03 years and a Case No. 757/18 was being held since 13 October 2016 in this regard. However, this matter had not been disclosed in the financial statements.</p>	<p>-----</p> <p>Matters in respect of arrears of leases remained in a court case should be disclosed in the financial statements</p>	<p>-----</p> <p>Action will be taken to disclose in the financial statements.</p>
<p>(b) A Case No. MC/2937/S/15 had been filed in respect of unauthorized boundary wall constructed. However, this matter had not been disclosed in the financial statements.</p>	<p>Matters in respect of the court case should be disclosed in the financial statements</p>	<p>Action will be taken to disclose in the financial statements.</p>

### 3.5 Assets Management

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#### 3.5.1 Failure in carrying out Maintenance and Repairing

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- A two wheel tractor was in unusable condition in the Sabha continuously for over 02 years without being repaired.	----- Respective action should be taken to obtain consultancy of the mechanical engineer and use such tractor.	----- Action is being taken to sell by auction.

#### 3.5.2 Assets not acquired

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- No action had been taken to transfer ownership of 06 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 ownership of 05 vehicles to the Sabha.

### 3.6 Procurement

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#### 3.6.1 Procurement Plan

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- A procurement plan for every year had not been prepared by the Sabha for services as per stated in the Procurement Guideline 4.2.	----- A procurement plan should be prepared as per an approved format.	----- A procurement plan for every year will be prepared by the Sabha in future periods.

### 4. Accountability and Good Governance

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#### 4.1 Budgetary Control

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
----- (a) Recurrent expenditure such as travel expense, grants and assistance funds	----- Respective actions should be taken to	----- These matters will be considered in

and pensions including in the budget of the Sabha had been saved more than actual expenditure, thus it was revealed that budget was non-efficient.

plan the budget properly.

preparing the budget in future periods.

- (b) Sixteen capital works valued at Rs. 27,900,000 planned to implement by the fund of the Sabha in the budget of the year 2018 had remained without being completed totally.

Works planned in the budget should be completed.

Actions are being taken to implement the work schemes.