

Valikamam North Pradeshiya Sabha

Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 27 February 2020 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 2020 and 24 August 2020 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 2019 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 preparing the Financial Statement

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

(b) **Accounting Deficiencies**

	Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i)	Values of fifty five lands belonging to the Sabha had not been included in the financial statement.	Not replied.	The values of the lands should be assessed and included in the financial statement
(ii)	Values of three vehicles had not been assessed and included in the financial statements in the year under review, thus the values of assets had been understated in the financial statements.	Not replied.	The values of the vehicles should be assessed and shown in the financial statement.
(iii)	The value of asset overstated due to physically has not been available. Due to no. of 52 library books has been included under library books amounts and shown in the financial statement.	Not replied.	The Correct amount should be shown in the financial statement after the assessed the library books amounts.
(iv)	It has been understated the assets in the same value due to the expenses of Aawalai hindu cemetery infrastructure works value at Rs. 2,974,830 by the Sabha's fund in 2019. These expenses had been shown as capital expenditures but this expenses value had not been shown as assets in the financial statement.	Actions will be taken to show complete assets once the works are completed.	Actions should be taken to include specific capital expenditure into 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	Comments of the Accounting Officer	Recommendation
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(a) National Audit Act No. 19 of 2018 Sub section 16(2)	Annual performance report had not been presented along with the financial statements.	Action will be taken to submit with financial statements in future.	Appropriate action should be taken to present annual performance report with the financial statements in terms of Act.
(b) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	Warrant had not been issued by the Chairman to the defaulters of arrears of assessment tax on property totalling Rs. 526,081.	Action has been taken to recover the arrears.	Appropriate action should be taken to arrears of assessment tax in term of Pradeshiya Sabha Act.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
No. 371	Advances valued at Rs. 289,104 paid by the Sabha had not been settled up to now.	Appropriate action is being taken	Appropriate action should be taken to relate the advance in terms of Financial Regulation.
No.571	No action had been taken in respect of retention money to be refunded to the contractors valued at Rs. 654,720.	Appropriate action is being taken	Appropriate action should be taken related to refund deposits in terms of Financial Regulation.

(d) Northern Province
Finance Circular

No. PE/01/2017 of 07 March 2017	The security fund Rs. 60,000 has not been paid by 6 officers of them who is responsible for operation management or is been authorized and handed the responsibility.	Action should be taken to recover the security fund.	Action should be taken to recover the workers security fund in terms of the North province circular.
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(e) Ministry of Public
Administration and
Management Circular

(i) Amended circular No. 05/2018 (i) dated 24.01.2018 and circular No. 05/2008 dated 06.02.2008	The Public Service list has not been prepared and displayed in accordance with the Conventions of citizens/ beneficiaries.	Appropriate action is being taken.	Action should be taken to prepare in the due period in terms of Circular.
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(ii) 02/2018 of 24 January 2018	Could not be ensured that the staff training for at least 12 hours per year.	Appropriate action has been taken.	Appropriate action should be taken relate supply of employees training in terms of Circular.
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(iii) 30/2016 of 29 December 2016	Fuel consumption had not been tested for 10 vehicles of the Sabha.	Appropriate action is being taken	Repaired the vehicles and appropriate action should be taken the test the fuel consumption test.
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(f) Other Circular

Local Government circular No. 2018/e Local Government 01 dated 19.07.2018	Services receiving facilities had not been provided through the online for citizens.	Appropriate action is being taken.	Action should be taken to provide the services in terms of Circular.
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1.4.2 Noncompliance with Tax Requirements

Audit Observation	Comment of the Accounting Officer	Recommendation
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 is being taken to receive.	Appropriate action should be taken to relate sales tax in term of Pradeshiya Sabha Act.

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 2019 amounted to Rs. 37,326,758 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 44,440,057. As a result, the revenue over recurrent expenditure has decreased to Rs. 7,113,299 as compared to the previous year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2019			2018		
	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	112,000	103,269	526,081	98,100	226,795	519,328
Rentals	4,491,400	5,745,414	17,200	10,326,600	11,620,300	519,328
License Fees	2,060,200	2,727,927	-	1,620,300	2,134,165	-
Other Revenue	113,678,596	121,345,550	52,418,844	96,030,400	71,992,688	54,725,578
	120,342,196	129,922,160	52,962,125	108,075,400	86,066,991	55,275,256

2.2.2 Rates and Taxes

Audit Observation	Comment of the Accounting Officer	Recommendation
----- No action had been taken to recover arrears of assessment tax on property totalling Rs.526,081.	----- Action will be taken to recover the arrears.	----- Action should be taken to recover the arrears of assessment tax on property in the due periods.

2.2.3. Court Fines and Stamp Duties

(a) Court Fines

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Court fines totalling Rs.5,197,427 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	----- Appropriate action has been taken to collect arrears.	----- Action should be taken to recover the arrears counts fine in the due period.

(b) Stamp Duties

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Stamp duties totalling Rs.37,883,307 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	----- Appropriate action has been taken to collect arrears.	----- Action should be taken to recover the arrears stamp duties in the due period.

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 -----	Comment of the Accounting Officer -----	Recommendation -----
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 will be taken to prepare an action plan in accordance with the by-laws.	Action should be taken to prepare an action plan in the due period in accordance with the by-laws of the Sabha.

(b) Action Plan

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

(c) Failure to make Provision

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Out of 19 activities to be implemented by the Sabha as per annual action plan Prepared, provision had been made by annual budget for 17 activities only, thus 02 activities valued at Rs. 2,000,000 could not be implemented.	Work is being carried out using development funds.	The action plan should be duly prepared in accordance with the budget and all activities should be completed in the financial year.

(d) Abandoned Activities

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Although an amount of Rs. 10,262,245 was spent to start the performance of operation, those activities were abandoned until 31 December 2019, when the expected effects were not achieved.	Appropriate action will be taken to make it operational.	Appropriate planning and action should be taken at the outset of the process.

(e) Delays in completion of Project

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
It was observed that the process of setting up the vehicle parking lot and headquarters was not completed in the due period.	Not replied	Appropriate action should be taken to complete specific activities in the due period.

(f) Solid Waste Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Solid wastes had been collected without being segregated in terms of the national policies.	Appropriate action has been taken.	Solid waste should be taken with segregation.

(g) Environmental Issues

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

3.2 Management Inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) No action has been taken to use a tractor for proper use for the last 03 years	Action is being taken to make further use of the appropriate amendment.	Appropriate action should be taken to repair the property in a timely manner.
(b) Although the assets of the two sub-offices have been reassessment, Action has not been taken to maintain the property tax record.	Action is being taken to complete the documents.	Appropriate action should be taken to reassessment the assets and the property tax records should be properly maintained.

3.3 Human Resources Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
The Sabha had not recruited and deployed human resources properly. As a result, it was observed in audit that works to be completed by such 07 human resources had been delayed.	Permission of the Director of Management Services has been sought. Action will be taken to fill the vacuum once approval is obtained.	Action should be taken to fill the vacancies in the due period.

3.4 Operating Inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Although the council-owned JCB used it to generate revenue for the Motor Grader, as the income received from them was Rs.599,862 but the expenditure was found to be Rs. 945,007. The loss of Rs. 345,745 was due to the fact that the expenditure was higher than the revenue.	These costs were incurred for clearing areas in the High Security Zone.	Appropriate action should be taken to generate adequate income by utilizing the assets of the sabha without causing loss to the sabha.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) No action had been taken to transfer ownerships of 08 vehicle value at Rs. 31,091,360 to the Sabha.	Appropriate action will be taken	Appropriate action should be taken to transfer ownership of vehicles to the Sabha in due period.
(b) No action had been taken to transfer ownerships of Motor vehicle value at Rs. 1,026,040 to the Sabha.	Action is being taken to transfer ownerships.	Appropriate action should be taken to transfer ownership of vehicles to the Sabha in due period.
(c) No action had been taken to transfer ownerships of land and building value at Rs. 47,478,732.	Documents and certificates are being received proper category.	Appropriate action should be taken to transfer ownership of land to the Sabha in due period.

3.5.2 Idle Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
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A bowser No. EP JS-7993 and non registered bowser has been remained idle.	Bowser could not auction due to have not available bowser's registration number.	Appropriate action should be taken to maintain properly of the vehicles.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Accounting Officer	Recommendation
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Expenditure budget was inefficient due to different between budgetary expenditure and actual expenditures.	Not replied.	Appropriate action should be taken by the Sabha to plan proper budget system.