

**Valikamam South West 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 02 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**

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In my opinion, except for the effect of the matters described in the paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Valikamam South 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**

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**Accounting Deficiencies**

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(a) Values of 13 cemeteries under the purview of the Pradeshiya Sabha had not been included in the financial statements, thus the value of the land and buildings had been understated in the financial statements.	Values of 13 cemeteries should be included in the financial statements.	Respective actions are being taken.
(b) Weekly market constructed at a cost of Rs. 880,625 under the purview of the sub office, Pandatharippu town had not been included in the financial statements, thus value of the land and buildings had been understated in the financial statements.	The value of the weekly market should be included in the financial statements.	Respective action had been taken.

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| (c) | Values of 13 vehicles belonging to the Sabha had not been assessed and included in the financial statements in the year under review, thus values of the motor vehicles and cycles had been understated in the financial statements. | The values of 13 vehicles should be assessed and included in the financial statements. | Continuous action had been taken to assess the values of 13 vehicles. |
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**1.4 Contingent Liabilities**  
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A case had been filed by the Sabha against an external party as at 31 December 2018. Information in this regard had not been disclosed in the financial statements. Details are as follows.

<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) It was observed that market stall, Kaakkai theevu had been given on the basis of lease by the Pradeshiya Sabha on 06 December 2013 and lease thereof totalling Rs. 275,508 had not been recovered from lessee for 03 years. A Case No. 92/15 in this regard was being held since 04 December 2015. 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.	Action had been taken to disclose in respect of court case in the financial statements in future periods
(b) A Case No. AR/175/15 had been filed against the Sabha in respect of the solid waste collection center, Kallundaai. 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.	Action had been taken to disclose in respect of court case in the financial statements in future periods

## 1.5 Non-compliances

### 1.5.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliances</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(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 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. 14,549,915.	Action should be taken in terms of instructions of said Act.	Action had been taken to issue warrant.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571	No action had been taken to settle deposits totalling Rs. 129,816 for over two years.	Action should be taken as per instructions of said regulations.	Action had been taken to settle relevant retention money.
(d) Finance circular of Northern Province No. PE/01/2017 of 07 March 2017	Security money totalling Rs. 116,000 had not been paid by 21 officers who were assigned responsibilities.	Action should be taken in terms of said circular.	Action had been taken to recover security money.

### 1.5.2 Noncompliance with Tax Requirements

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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.	Sales tax equivalent to 1% should be recovered on sales of lands	It is being recovered by public auction and actions had been taken to recover taxes in respect of lands which are sold through brokers.

## 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. 75,228,272 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 50,399,647.

### 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	7,859,600	-	8,052,726	14,549,915	7,857,820	-	8,808,665	12,059,285
Rentals	10,233,300	-	11,928,676	279,758	9,782,649	-	10,358,209	283,508
License Fees	2,930,700	-	3,476,268	28,500	2,425,256	-	2,907,748	28,500
Other Revenue	116,186,200	-	124,153,988	49,990,569	100,118,830	-	86,428,710	142,460,738
	<b>137,209,800</b>	<b>-</b>	<b>147,611,658</b>	<b>64,848,742</b>	<b>120,184,555</b>	<b>-</b>	<b>108,503,332</b>	<b>154,832,031</b>

❖ Billed revenue had not been presented to audit.

#### 2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Collected revenue for the year 2017 was Rs. 108,503,332. However, collected revenue for the year 2018 was increased as Rs. 147,611,658, thus performance of revenue collection for the year 2018 had been increased by Rs. 39,108,326 as compared with the	Billed revenue should be verified.	Action had been taken to bill revenue in future periods.

year 2017. However, the Sabha had failed to bill revenue.

### 2.2.3 Rates and Taxes

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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No actions had been taken by the Sabha to recover arrears of rates and taxes totalling Rs. 14,549,915 in the year under review.	Actions should be taken to recover arrears of rates and taxes totally.	Revenue collection officer had been appointed and arrears are being recovered.

### 2.2.4 Rents

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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No actions had been taken to recover arrears of lease totalling Rs. 275,508 in the year under review.	Actions should be taken to recover arrears of rent totally.	A case had been held for recovering market lease of Rs. 275,508.

### 2.2.5 License Fees

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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) No actions had been taken to recover arrears of license fees for advertisement totalling Rs. 12,500 in the year under review.	Actions should be taken to recover arrears of license fees totally.	Action had been taken to recover.
(b) License and construction fees of Rs. 6,000 for telecommunication towers had not been recovered for the year under review.	Action should be taken to recover arrears of license and construction fees for telecommunication towers totally.	Action had been taken to recover.

## 2.2.6 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. 11,275,138 and Rs. 38,715,431 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 totally.	----- Request letter had been forwarded to relevant authorities to recover arrears of court fines and stamp fees.

## 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) 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 22 activities to be implemented by the Sabha.	----- An annual action plan should be prepared for all activities.	----- Action had been taken to recover from current year.

#### (b) Failure to achieve expected Outcomes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- Expected output had been achieved through spending a sum of Rs. 880,625 for the construction of weekly market at Piranpattu which was mentioned in the action plan. However, market had not been utilized for	----- Action should be taken to use said weekly market.	----- Action is being taken to use alternative purpose.

03 years, thus expected outcome could not be achieved.

(c) **Abandoned Activities**  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A sum of Rs. 4,085,815 had been spent to start performance of activities such as solid waste disposal and construction of a slaughter house in the year under review and preceding years. However, those activities had been abandoned by 31 December 2018 without being obtained expected outcomes due to acquired that place for national security purposes since February 2014.	Action should be taken to implement such activities in said places.	Not replied.

(d) **Delays in executing Activities**  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A contract had been entered for 07 activities with mentioning dates to be started. However, those activities had not been started even as at 31 December 2018.	Action should be taken to complete activities in due period.	Not replied.

(e) **Solid Waste Management**  
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Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Expense of Rs. 76,900 had been incurred for long term and short term projects carried out by the Sabha in	Action should be taken to increase revenue and decrease expenditure.	Not replied.

respect of solid wastes. However, a sum of Rs. 446,510 had only been received as revenue of the Sabha.

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| (ii)  | A relevant area had been selected at Kaakkai theevu for disposing solid wastes. However, solid wastes were collected 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. | Solid wastes should be segregated and collected in terms of national policies and garbage should be cut in to pieces and covered with soil. | Relevant action will be taken.   |
| (iii) | 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.   | Action had been taken to subject to medical test in respect of all sanitary labourers in current year. |

**(f) Environmental Issues**  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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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**  
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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 in respect of community center grants of Rs. 220,000 paid for	Community center grants should be used for intended	Action had been taken to pay community centers.



the period from the year 2016 to 2018.	purpose in due periods.	
(b) Fixed deposit fund valued at Rs. 122,713,429 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.	Development works are being implemented in current year.
(c) Reassessment had not been carried out for the properties situated at Pandatharippu town and Pandatharippu village for assessment tax on property for over the last 40 years.	Reassessment should be carried out for assessment tax on property in due periods.	Action had been taken to carry out reassessment for properties.
(d) 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.	Instruction had been given to relevant officer in this regard.
(e) A citizen charter of the general public had been displayed by the Pradeshiya Sabha. However, contrary to matters mention therein, services provided to general public had been delayed.	Services should be provided to the general public in due periods.	Services provided by the Pradeshiya Sabha had been connected with other departments, thus delays had been occurred.

### 3.3 Human Resources Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 11 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

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- 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 20,525 properties in the year 2018.	----- Actions should be taken to issue “K” forms.	----- Respective action had been taken to issue “K” forms.

### 3.5 Assets Management

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#### 3.5.1 Assets not acquired

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
----- (a) A pickup vehicle bearing No. 252 – 6555 issued to the Sabha by the Ministry of Provincial Councils and Local Authorities were being used by the Chairman of the Sabha. It was observed that said vehicle had not been handed over to the Secretary of the Sabha even the Sabha had been dissolved on 17 February 2003. No meaningful actions had been taken by the Sabha to obtain this vehicle for the last 15 years.	----- Action should be taken to obtain said vehicle.	----- Continuous action is being taken to obtain said vehicle.
(b) Ownership of 12 properties valued at Rs. 13,775,306 had not been transferred to the Sabha up to now.	Action should be taken to transfer ownership of the properties.	Continuous action is being taken in respect of properties.
(c) Two vehicles were being used by the Sabha for 13 years.	Action should be taken to transfer ownership of	Action had been taken to transfer the

However, ownership of them had not been transferred to the Sabha.

the vehicles.

ownership.

### 3.5.2 Idle Assets

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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It was observed in field inspection that a bowser with registration No. EPJZ - 8305 and another bowser without registration number had remained in destroyed and unusable condition	Respective action should be taken in respect of bowzers.	Action had been taken to transfer the ownership.

## 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>
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(a) When comparing the budgeted recurrent expenditure and actual recurrent expenditure of the Sabha, a favourable variance of Rs. 32,480,193 was incurred.	Respective actions should be taken to plan the budget properly.	Action had been taken to prepare the budget efficiently in future periods.
(b) Recurrent expenditure such as travel expenses, repair of capital assets, grants, aid funds and pensions including in the budget of the Sabha had been saved more per cent from actual expenditure, thus the budget was inefficient.	Respective actions should be taken to plan the budget properly.	Action had been taken to prepare the budget in future periods.