

Vavuniya South Tamil Pradeshiya Sabha
Vavuniya District

1. Financial statements

1.1 Presentation of Financial statements.

Financial statements for the year under review had been presented for audit on 20 March 2014, and the financial statements for the preceding year had been presented on 27 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 15 July 2014.

1.2 Opinion

Except for the effects of the matters on the financial statements referred to in paragraph 1.3 of this report, the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Vavuniya South Tamil Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following deficiencies were observed

- (a.) Accounting policies had not been disclosed with the financial statements.
- (b.) Cash flow statement had not been presented with the financial statements.
- (c.) Money measurement concept had not been followed by the Sabha in the Main Ledger Trial Balance and the Income and Expenditure Account.
- (d.) Ledger accounts had not been maintained in the main ledger for following items.

Item -----	Amount -----
	Rs.
Loans payable to LLDF	14,585,437
Capital Grants receivable from the CLG	7,297

- (e.) Accumulated fund and reserves had been shown in the balance sheet as Rs.129,969,951 instead of Rs 126,969,951.

1.3.2 Unreconciled Control Accounts

The following deficiencies were observed

- (a.) The balance amounting to Rs.1,099,010 of the staff loans control account as at 31 December 2013 had not been reconciled with the Staff Loan Schedule.
- (b.) The balance of the control account amounting to Rs.2,174,350 in respect of the staff loans as at 31 December 2013 had not been reconciled with the monthly balance of the loan register.
- (c.) The balance of the control account amounting to Rs.6,477,094 of the deposits account as at 31 December 2013 had not been reconciled with the individual deposit balances in terms of the Financial and Administrative Rules-1989 made under Section 143 of the Pradeshiya Financial Regulations.
- (d.) Individual accounts for security deposits, tender deposits and miscellaneous deposits had not been maintained separately and as a result individual balances of the deposits could not be reconciled with the amounts shown in the main ledger.

1.3.3 Accounts Receivable

The following deficiencies were observed

- (a.) Action had not been taken to recover the arrears amounting to Rs.174,590 in respect of Motor Grader income.
- (b.) Action had not been taken to recover the arrears amounting to Rs.214,095 in respect of the income from JCB.
- (c.) Action had not been taken to recover the arrears amounting to Rs.275,580 in respect of the income from Road roller.
- (d.) Action had not been taken according to the Financial Regulation 371(5) to recover the advances amounting to Rs.40,543.
- (e.) Balances of accounts receivable as at 31December 2013 amounted to Rs.58,454 while balances of accounts over a period of 01 year amounted to Rs.22,277.

Details	Amount
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	Rs.
Commissioner of Local Government	5,598
Salary Refund (CLG)	<u>16,679</u>
Total	<u>22,277</u>

- (f.) Action had not been taken to recover the arrears of commercial advertisement charges amounting to Rs.276,300 in respect of five commercial advertisements displayed within the area of the Sabha .

1.3.4 Lack of Evidence for Audit

Transactions valued at Rs.77,514,989 could not be satisfactorily vouched in audit due to non availability of information required for audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.9,574,158 as compared with the excess of revenue over recurrent expenditure amounting to Rs.8,135,487 for the preceding year.

2.2 Revenue Administration

The information with regard to the estimated revenue, actual revenue, and arrears of revenue for the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.	Rs.	Rs.
Rates and Taxes	3,200,000	3,392,984	2,520,572
Rents	1,928,600	1,729,205	2,246,113
Other Income	42,465,769	41,951,135	15,618,181
Total	-----	-----	-----
	47,594,369	47,073,324	20,384,866
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2.3 Rates

Action had not been taken to recover the arrears of rates amounting to Rs 1,229,240 relating to the period from 2005 to 2013.

2.4 Court Fines and Stamp Fees

The following deficiencies were observed.

- (a.) Action had not been taken to recover the courts fines amounting to Rs 2,889,459 collected by the Vavuniya Magistrate Courts under various ordinances.
- (b.) Action had not been taken to recover the stamp fees amounting to Rs.9,537,497 receivable as at 31December 2013 from the Registrar General.

3. Operating Review

3.1 Management Inefficiencies

The following deficiencies were observed.

- (a.) A significant amount of money had been lying idle in the current account maintained by the Sabha during the year under review without utilizing for development activities. Details are given below.

Month	Expenditure	Balance as at end
	Rs.	Rs.
June	5,348,108	9,598,177
July	4,854,911	10,259,866
August	6,844,953	9,573,162
September	9,904,013	6,685,710
October	4,900,383	5,130,124
November	3,336,865	6,589,608
December	8,059,936	6,672,425

- (b.) Action had not been taken in terms of FR 570 and 571 on lapsed deposits amounting to Rs 82,750.

3.2 Idle and Underutilized Assets

Two Tractor parts amounting to Rs 110,000 purchased on 31 October 2013 had not been used and had remained idle even up to the date of this report.

3.3 Uneconomic Transactions

A sum of Rs 2,539,151 had been paid to the sanitary Labourers for cleaning services during the year under review. In addition to that, a sum of Rs 427,200 also had been paid to a Private Cleaning Services Company.

4. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Fixed Assets Control
- (b) Maintenance of the Main Ledger
- (c) Collection of Revenue