

# Vadamarachchy South West Pradeshiya Sabha

## Jaffna District

### 1.0 Financial Statements

#### 1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 20 March 2013 and the financial statements for the preceding year had been presented on 04 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 13 September 2013.

#### 1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Vadamarachchy South West Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Vadamarachchy South west Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

#### 1.3 Comments on Financial Statements

##### 1.3.1 Accounting Deficiencies

- (a) The accounting deficiencies observed in the financial statements in respect of liabilities are shown in the following table.

<b>Effect on the Financial Statements</b>	<b>No of Instances</b>	<b>Value Rs.</b>
Overstatements	03	22,391,851
Omissions	01	769,608

- (b) The value of 08 vehicles received as donations from the Government and Non Governmental Organizations during the year under review had not been disclosed in the financial statements. Details are given below.

<b>Category of vehicles</b> -----	<b>Vehicle Nos.</b> -----
Tractor	WPGJ 2730
Tractor	EPRA 2808
Tractor	-
Tractor Tailor	WPRB 8275
Tractor Tailor	EPRA 1592
Pickup	252- 6561
MT Bowser	-
Water Bowser	-

### **1.3.2. Lack of Evidence for Audit** -----

Transactions totalling Rs. 35,546,745 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

## **2. Financial and Operating 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 2012 amounted to Rs. 27,675 as compared with the excess of revenue over recurrent expenditure amounting to Rs.22,528,336 for the preceding year.

### **2.2 Financial Control** -----

Budgeted estimates had not been properly prepared. As such a difference of Rs.7,276,990 between the budgeted revenue and the actual revenue and a difference of Rs. 4,859,401 between the budgeted expenditure and the actual expenditure were observed in audit.

## **2.3 Revenue Administration**

### **2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under as review presented by the Chairman is given below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
	<b>Rs 000</b>	<b>Rs 000</b>	<b>Rs 000</b>
Rates and Taxes	643	125	1,859
Lease Rent	9,900	12,237	130
Licence Fees	845	978	-
Other Revenue	39,083	44,408	27,771

### **2.3.2 Revenue Management**

No meaningful and legal action had been taken by the Sabha to recover the arrears of assessment tax, market rent and lease rent amounting to Rs. 1,989,606.

### **2.3.3 Loss of Revenue**

Although all activities relating to the electricity had been handed over to the Ceylon Electricity Board since 1999, fixing of street lamps within the area of the Sabha had been done out of the Sabha fund as no agreement had been entered into with the Ceylon Electricity Board. As a result, the Sabha had suffered a loss of Rs.500,800 due to non-receipt of reimbursements.

### **2.3.4 Court Fines**

(a.) A sum of receivable Rs. 371,000 from magistrate courts in respect of courts fines and penalties imposed under various ordinances from October to December 2011 had not been brought to account.

- (b.) Courts fines and penalties imposed under various ordinances for the year 2010, 2011 and 2012 amounting to Rs.1,259,250, Rs.814,125 and Rs. 3,984,500 respectively had not been recovered. No action had been taken by the Sabha to recover above money.

### **2.3.5 Stamp Fees**

-----  
Following observations are made.

- (a.) Stamp fees receivable from the Register General of Lands for the year 2010, 2011 and July to December 2012 amounting to Rs.14,722,337, Rs.17,878,713 and Rs.11,319,972 respectively had not been brought to account.
- (b.) The Stamp fees amounting to Rs. 21,712,748 due for the period 2006, 2010 -2012 had not been received from Register General of Lands. No action had been taken by the Sabha to recover the above money.

## **2.4 Assets Management**

### **2.4.1 Idle and Underutilized Physical Resources**

-----  
Four items of physical resources had not been utilized by the Sabha for the last two years.

Details are as follows.

- i). Motor bicycles
- ii). Two wheel tractor
- iii). Box of two wheel tractor
- iv). Pickup

### **2.4.2 Staff Loans Recoverable**

-----  
Staff loan balances amounting to Rs. 46,000 recoverable from officers who had vacated their posts had remained unrecovered for over five years. Action had not been taken to recover these balances from sureties.

### 2.4.3 Unverified Assets

Assets had been accounted as Rs.38,133,514 at book value without being confirmed by Board of Survey Reports as at 31 December 2012. Details are given below.

<b>Asset</b>	<b>Amount</b>
	<b>Rs.</b>
Fixed Assets	37,588,378
Stores Items	545,136
	<b>38,133,514</b>

### 2.5. Non-compliance with Laws, Rules, Regulations etc.

Non-compliance with the provisions in the following laws, rules, regulations and management decisions were observed during the course of audit.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliances</b>
<b>(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988</b>	
(i) Chapter III -Section 33	The Assessment Clerk had not prepared the list of defaulters of assessment tax in every quarter and submitted to the Chairman.
(ii) Chapter III -Section 76	The revenue clerk had not reported to the Secretary or Chairman on cases of delay in payment of rent or lease rent of lands and premises amounting to Rs. 130,276.
(iii) Chapter III -Section 81	Action had not been taken in end of the every quarter in respect of refund of stamp fees of land transactions and fines.

**(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka**

(i.) F.R. 234

Follow up action had not been taken in terms of Financial Regulations on 06 cheques amounting to Rs. 10,500 remained unrealized for over a period of 06 months and it had been included in the miscellaneous deposits account.

(ii.) F.R. 571

No action had been taken to transfer the miscellaneous deposit Rs. 80,548 to the revenue over two years.

**(c) Northern Provincial Financial Rules**

Nos. 101 and 102

Internal Audit Programmes and internal audit reports had not been submitted in each quarter to the Auditor General by the Sabha.

**2.6 Uneconomic Transactions**  
-----

The daily activities of the Sabha had not been properly planned and implemented in terms of Section 3.2 of Chapter VII of Establishments Code and the Sabha had paid a sum of Rs. 27,375 as overtime and holiday pay for preparation of final accounts which is a routine work of the Sabha.

**2.7 Contract Administration**  
-----

**(a). Delays in Implementation of Projects**  
-----

Following observations are made.

- (i). Funds amounting to Rs. 284,648 allocated for construction of the parapet wall of Mandan waste disposal land during the year 2011 had not been utilized for the specific purpose and these funds had been used for other projects.

(ii). Although Funds amounting to Rs. 8,441,147 had been budgeted for 17 capital works the said works had not been completed during the year under review. However due to the delay in implementation of these capital work the money had been kept in the sundry creditors account to implement the project in future.

(b). Abandoned Project.

-----  
The Project of Rehabilitation of Sri Murugan Kovil Road valued to Rs.1,800,000 had not been implemented during the under review.

## **2.8 Operating Inefficiencies**

-----  
The following observations are made.

- (a.) A sum of Rs.381,895 retained in 2010,2011 from the payments made to of contractors had been kept in the miscellaneous deposit account without being paid to the contractors.
- (b.) Provision of Rs. 65,000 made under sundry creditors for the community centre since 2007 had not been paid as donation to the respective community center up to the date of this report.
- (c.) Provision of Rs.134,262 made for years 2011, and 2012 under sundry creditors had not been paid to the respective persons.

## **2.9 Internal Audit**

-----  
Adequate internal audit had not been carried out by the Sabha.

## **3. Systems and Controls**

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

- (i) Collection of Revenue.
- (i) Fixed Assets
- (iii) Accounting
- (iv) Donations
- (v) Miscellaneous Deposits.