

## Valikamam East Pradeshiya Sabha

### Jaffna District

#### 1. Financial Statements

##### 1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 10 April 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 23 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 Valikamam East 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 Valikamam East 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

The accounting deficiencies observed in the financial statements in respect of revenue and liabilities are shown in the following table.

Effect on the Financial Statements	Revenue		Liabilities	
	No of Instances	Value Rs.	No of Instances	Value Rs.
Understatements	02	15,200		
Overstatements			01	59,436

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

Twenty five transactions totaling Rs.91,482,924 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

## **2. Financial and Operating Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs. 829,098 as against the excess of revenue over recurrent expenditure amounting to Rs. 2,833 for the preceding year.

### **2.2 Financial Control**

Budgeted estimates had not been properly prepared. As a result a difference of Rs.9,122,541 between the budgeted revenue and the actual revenue and a difference of Rs.10,706,517 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**

As per information furnished by the Chairman estimated revenue, actual revenue and the arrears of revenue in respect of the year under review are 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	598	637	5,146
Lease Rent	7,625	7,807	03
Licence Fees	1,650	2,351	-
Other Revenue	41,992	31,948	38,386

### 2.3.2 Recovery of Revenue

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The following observations are made.

- (a) No meaningful full action had been taken to recover the assessment taxes amounting to Rs.5,182,029. This includes a sum of Rs. 3,362,977 remained unrecovered for more than 05 years.
- (b) Rent on 220 stalls within the Sabha area had not been recovered during the year under review.

### 2.3.3 Court Fines and Stamp Fees

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- (a) Effective action had not been taken to recover court fines and penalties amounting to Rs.1,914,521 receivable for the year under review.
- (b) Action had not been taken to recover stamp fees amounting to Rs.35,067,681 due from the Registrar General for the period 2010 – 2012.

## 2.4 Assets Management

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### 2.4.1 Idle and Underutilized Physical Resources

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- (a) The following items had remained idle at the Sabha.

<b>Item</b>	<b>Number</b>
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Slippers	21 pairs
Knives	57
Hoes	108
Scanners	02

- (b) According to the Board of Survey Reports 68 items had remained unused and condemned at the stores. Details are given below.

<b>Name of the Office</b>	<b>No. of Items</b>
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Urumpirai Sub Office	04
Kopay Sub Office	02
Puttur Head Office	36
Puttur Sub Office	10
Achcuvely	09
Neervely	<u>07</u>
	<b><u>68</u></b>

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

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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, Management Decisions, etc</b>	<b>Non – compliance</b>
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<b>(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules</b> Chapter III -Section 29	Although all revenue collected should be deposited in the Bank daily, a sum of Rs. 3,553 collected on 2012.02.09 by the Sub office, Neervalay had not been deposited in the Bank till 2012.03.02.
<b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>	
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Financial Regulation 571	Action had not been taken in respect of lapsed deposits for more than two years amounting to Rs.3,499.
Financial Regulation 234	Follow up action had not been taken on cheque No.164250 amounting to Rs.4,500 remained unrealized for over a period of 06 months.
<b>(c) Value Added Tax Act No. 14 of 2002.</b>	Value Added Tax amounting to Rs.130,006 collected during the period 2009- 2012 had not been remitted to the Department of Inland Revenue.
<b>(d) Inland Revenue Act No.10 of 2006</b>	Withholding Tax amounting to Rs.4,336 recovered in 2011 had not been remitted to the Department Inland Revenue.

## **2.6 Irregular Payments**

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Although preparation of budget and final accounts are routine work of the Sabha, overtime and holiday pay amounting to Rs.43,916 had been paid to the officers to prepare budget and final accounts.

## **2.7 Contract Administration**

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### **2.7.1 Unapproved Capital Works**

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Although capital work of the vegetable market, Achchuveli had not been approved in the budget for the year under review, a sum of Rs. 1,117,637 had been paid from the Sabha fund for the construction work of the vegetable market.

### **2.7.2 Completely Abandoned Works**

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Although a sum of Rs. 6,908,324 had been shown as bank balance as at end of the year under review, two works approved by the budget of the Sabha to the value of Rs.3,650,000 had been abandoned during the year under review. Details are as follows.

<u>Work</u>	<u>Amount Allocated</u>
	<u>Rs.</u>
Cremetorium	2,000,000
Road works	<u>1,650,000</u>
	<u><b>3,650,000</b></u>

## **2.8 Operating and Management Inefficiencies**

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Donations amounting to Rs.240,674 given by the Commissioner of Local Government for development works in 2010 had been kept in the deposits account without being utilized for the welfare of the people.

## **2.9 Internal Audit**

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

## **3. Systems and Controls**

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

- (i) Revenue Collection
- (ii) Donations
- (iii) Miscellaneous Deposits
- (iv) Budgetary Control.