

Valikamam South 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 08 March 2013 and the financial statements for the preceding year had been presented on 30 March 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 Valikamam South 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 this 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 South 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 assets, liabilities and revenue are shown in the table below.

Effect on the Financial Statements	Assets		Liabilities		Revenue	
	No of Instances	Value Rs.	No of Instances	Value Rs.	No of Instances	Value Rs.
Understatements	01	2,972	-	-	-	-
Classification Errors	01	3,242,600	02	31,946,088	01	2,477,000
Omissions			01	3,943,714		

(b) **Assets not Accounted**

- (i) The Sabha had not valued 08 lands owned by the Sabha and included in the final accounts.
- (ii) The Sabha had not valued 07 Motor vehicles donated to the Sabha and included in the final accounts.

1.3.2 Unreconciled Control Accounts

According to the control accounts, the balances of accounts amounted Rs. 1,223,629 while the total of the balances of these accounts according to the subsidiary registers amounted to Rs. 1,314,281.

1.3.3 Lack of Evidence for Audit

Five transactions totaling Rs. 120,195,116 could not be satisfactorily vouched in audit due to 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. 119,141 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 286,391 for the preceding year.

2.2 Financial Control

The budget had not been properly prepared and as such a difference of Rs. 18,788,460 between the actual revenue and the budgeted revenue and a difference of Rs.9,944,955 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 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. 000'	Rs. 000'	Rs. 000'
Rates and Taxes	1,630	1,004	5,924
Lease Rent	27,062	27,650	440
Licence Fees	1,780	1,817	-
Other Revenue	54,022	72,811	34,594

2.3.2 Revenue Management

Action had not been taken to recover the taxes, rent, trade licence and other revenue amounting to Rs. 9,012,348 in respect of the year under review.

2.3.3 Loss of Revenue

Although the activities of supply of electricity had been handed over to the Ceylon Electricity Board since 1999, a sum of Rs. 677,827 due from the Ceylon Electricity Board in respect of the maintenance of street lamps within the area of the Sabha had not been reimbursed and as a result the Sabha had to sustain a loss.

2.3.4 Court Fines

Court fines imposed under various ordinances by the Courts during 2012 had not been ascertained and brought to account.

2.3.5 Stamp Fees

No action had been taken to recover stamp fees receivable from the Registrar General of Lands amounting to Rs. 2,340,163, Rs. 5,611,669 and Rs. 23,994,242 respectively for the period 2006, 2007 and 2012.

2.4 Assets Management

2.4.1 Staff Loans Recoverable

A sum of Rs. 61,236 recoverable from retired officers of the Sabha had continued to be shown in the accounts as arrears instead of being recovered from the gratuity of pensioners or from the sureties.

2.4.2 Assets not Verified

The value of assets had not been confirmed by physical verification as at 31 December 2012 and had been shown as Rs. 125,892,406 based on book value. Details are shown below.

Description	Value (Rs)
----- Fixed Assets	----- 124,668,777
Stores Items	<u>1,223,629</u>
	<u>125,892,406</u>

2.5 Non - compliances

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

Reference to Laws, Rules, Regulations and Management Decisions

Non - compliance

(a) **Pradeshiya Sabha (Financial
and Administrative) Rules of
1988**

(i) Chapter III Section 33

A list of defaulters of tax had not been furnished to the Chairman at the end of each quarter.

(ii) Chapter III Section 76

The delay in recovery of lease rent amounting to Rs. 3,082,264 had not been intimated to the Secretary / Chairman by the Revenue Clerk.

(iii) Chapter V Section 140

Advances amounting to Rs. 268,567 remained unsettled at the due date and no action had been taken against the defaulters by the Secretary of the Sabha.

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

(i) FR-396

Follow up action had not been taken on 04 unrealized cheques amounting to Rs.8,455 for over a period of 06 months.

(ii) F.R. 571

Action had not been taken to transfer miscellaneous deposits amounting to Rs. 570,386 for over 02 years to revenue account.

(c) **Financial Rules of the Northern
Provincial Council**
Rules 101 and 102

The internal audit programme and the internal audit reports had not been furnished to the Auditor General.

(d) Nation Building Tax Act, No. 09
of 2009

Nation Building Tax amounting to Rs. 28,115 had not been remitted to the Department of Inland Revenue.

2.6 Contract Administration

(a.) Delay in Implementation of Projects

- (i) Annual plan had not been properly prepared and implemented during the year and as such repairs works of the Illanthikadai Road valued at Rs.3,010,000 had been delayed. However a development reserve had been created to complete the above road work in future period.
- (ii) 10 Nos. of capital works scheduled to be carried out during the year under review had been delayed and as such a provision Rs. 18,875,651 had been made under sundry creditors account to implement the capital works in future periods.
- (iii) Provision had been made under sundry creditors in past years on eleven works to the value of Rs. 2,478,366 and these projects had not been implemented up to the end of the financial year. Instead new works had been implemented.

(b.) Completely Abandoned Projects

Work of Inuvil Neyampathi Road repairs and taring project valued at Rs.720,000 planned to be implemented during the year under review had been abandoned.

2.7 Operating Inefficiencies

Following observations are made.

- (a) Donations aggregating Rs. 1,581,486 given for extention of buildings, capital works and other works of the Sabha had been kept in the miscellaneous deposits account without implemented the said works. As a result the general public in the Sabha area had not benifitted by above donations.
- (b) The provision of Rs. 222,405 made under sundry creditors in 2006 for W&OP contributions had not been paid up to the date of this report.

- (c) Provision of made under sundry creditors for Rs.2,478,366 payable for 11 Nos. of capital works had not been paid for over one year.
- (d) Retention money amounting to Rs. 147,080 recovered from the contractors during the period from 2008 – 2011 had been kept in the miscellaneous deposits account without action being taken to pay to the contractors up to the date of this report.

2.8 Internal Audit

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

3. Systems and Controls

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

- (a) Revenue Collection.
- (b) Fixed Assets
- (c) Accounting
- (d) Human Resources management
- (e) Donations
- (f) Miscellaneous Deposits

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