

Velanai 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 22 March 2013 and the financial statements for the preceding year had been presented on 11 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 Velanai 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, give a true and fair view of the state of affairs of the Velanai 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 assets, revenue and liabilities are shown in the following table.

Effect on Financial Statements	Assets		Revenue		Liabilities	
	No of Instances	Value	No of Instances	Value	No of Instances	Value
		Rs.		Rs.		Rs.
Overstatements			01	79,000		
Understatements	01	1,000,000				
Omissions					01	2,872,491

1.3.2 Vehicles Not Valued

31 vehicles donated by Non-Governmental Organizations had not been valued and brought to account but are being used by the Sabha at present.

1.3.3 Lack of Evidences for Audit

Six transactions totalling Rs. 32,853,075 could not be satisfactorily vouched in audit due to non- rendition of the required information to audit

2. Financial and Operation 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. 11,763 as compared with the excess of revenue over recurrent expenditure amounting to Rs.142,175 for the preceding year

2.2 Financial Control

The budget for the year under review had not been properly prepared and as such there were differences of Rs.518,845 between the actual revenue and budgeted revenue and differences of Rs. 2,038,966 between the budgeted expenditure and actual expenditure.

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	1,366	1,675	-
Lease Rent	1,223	1,316	19
Licence Fees	114	337	-
Other Revenue	26,928	25,784	9,124
	-----	-----	-----
	29,631	29,112	9,143
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2.3.2 Court Fines

Adequate action had not been taken up to the date of this report to recover the court fines amounting to Rs.2,424,100 charged for the year 2012 by the Court under various Ordinances.

2.3.3 Stamp Fees

Adequate action had not been taken to recover the stamp fees amounting to Rs. 5,385,278 due for the period 2010 to 2012.

2.4 Assets Management

2.4.1 Unutilized Physical Assets

- (i). A land acquired at a value of Rs.1,000,000 to provide accommodation for tourists, had not been utilized up to the date of this report.
- (ii). A canteen constructed at a cost of Rs.683,400 at Charty Beach in 2010, had not been utilized up to date of this report.
- (iii). Following items had been lying idle in the stores of the Sabha.

Item	Number	Present Position
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Bajaj Motor Bicycle (Donation)	01	Unutilized
Computer	01	Damaged
Water container - 10 Litre	13	Unutilized
Tyre for new Tractors	01	Unutilized
Photo copier	01	Damaged
Type writer	03	Damaged
Electric Fan	08	Damaged
Roneo Machine	01	Damaged
Solar and accessories	01	Damaged

2.4.2 Accounts Receivable

Advances aggregating Rs.1,995,420 paid during the period 2011-2012, had not been recovered or settled by the respective persons.

Details are as follows:

Year	Purpose of Advances	Amount
-----	-----	-----
		Rs.
2011	Deeping work of Pond	165,778
2012	Fuel Advance	4,042
2012	Vehicle repairs	400,000
2012	Road work	825,600
2012	Solar Electric Bulb	<u>600,000</u>
		<u>1,995,420</u>

2.4.3 Outstanding Staff Loans

Action had not been taken to recover loan balances amounting to Rs.124,020 due from 03 officers who had vacated their posts. These balances had been outstanding for periods ranging 03 to 10 years.

2.4.4 Maintenance of Inventory and Stock Records

- (a.) A Hero Honda motor bicycle bearing registration number NP HN 8451 had not been recorded in the inventory register of the Sabha.
- (b.) Although the stock of tar as per stock records shown as 1047 litres, according to the physical verification carried out, the stock was 2790 litres.

2.4.5 Annual Board of Survey Report

According to the Board of Survey report for the year 2012, there was a shortage of 17 numbers of items. Details are shown below.

Item	Balance as per Inventory	Actual Balance as per Board of Survey Report	Shortage
Chairs	54	49	05
Chairs (Plastic)	15	09	06
Officer Bags	<u>07</u>	<u>01</u>	<u>06</u>
	<u>76</u>	<u>59</u>	<u>17</u>

2.5 Non-compliance with Laws, Rules and Regulations

Non-compliance with the provisions in 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 Rules

- (i) Section 140 of Chapter V Action had not been taken by the Secretary to settle advances amounting to Rs 1,995,420.
- (ii) Section - 03 of Chapter VIII Action had not been taken to register the suppliers.

(iii) Section - 206 of Chapter XI Although the Board of Survey appointed for verification of inventories should complete the verification within one month, it had not been completed even lapse of two months.

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

(i.) F.R. 396 Action had not been taken on unrealized cheques valued at Rs.15,076 for over 02 years.

(ii.) F.R. 571 Action had not been taken on lapsed deposits valued at Rs.1,119,100.

(c) Section 4 of Widows and Orphans Pension Fund Act, 24 of 1983 Contributions to the Widows and Orphans Pension Fund amounting to Rs.16,315 deducted from the officers had not been remitted to the Director of Pensions.

2.6 Unauthorized Land Acquisition.

A land valued at Rs.1,000,000 had been acquired during the year under review utilizing the fixed deposits of the Sabha. However, there was no provision in the budget and the prior approval of the Minister also had not been obtained.

2.7 Overpayment in purchase of solar street lights

Even though 10 nos. of solar street light costing Rs.9,400 had been purchased at the rate of Rs.9,40,000 from a Private Company Vavuniya, the same item had been purchased for Rs.1,000,000 at the rate of Rs.125,000 each from a Private Company Nallur without tender board decisions and this organization was not entitled for business rights of electricity items. Therefore, the overpayment of Rs.248,000 had occurred due to the price difference of Rs.31,000 each.

2.8 Delays in Projects.

A provision of Rs.3,852,886 had been made in the sundry creditors account due to the delay in execution of 02 projects during the year under review, as shown below.

Details of Project -----	Amount -----
	Rs.
Repair of Kerny Street	2,278,822
Repair of Rasaiah Street	<u>1,574,064</u>
	<u>3,852,886</u>

2.8.1 Abandoned Projects

Two projects estimated at Rs.1,000,000 in the annual budget for the year under review, had not been implemented.

Details of Project -----	Amount -----
	Rs.
Namunda Munai - Pungudutivu	500,000
Allipiddy - Thalayady Hindu - Chematery	<u>500,000</u>
	<u>1,000,000</u>

2.9 Operating Inefficiencies

- (a) A sum of Rs.879,758 received during the period 2009 - 2012 for the purpose of child care and as donations for the community centres, had been retained in the miscellaneous deposits account without being utilized for the benefits of public in the territorial area of the Sabha.
- (b) Sundry creditor account balance of Rs.8,085,660 had not been settled up to the date of this report.
- (c) Action had not been taken on un paid salaries aggregating Rs.211,021 of the officers vacated their post, deceased and transferred.

2.10 Solid Waste Management

A sum of Rs.559,226 had been paid as the first part for erecting a fence around the area in each the solid waste is dumped. Eventhough the physical progress revealed at the audit inspection was only 40% Technical Officer had prepared the work completion report in terms of bill of quantity on 17 December 2012. Sabha had not taken action to provide facilities to the public in terms of Section 03 of the Pradeshiya Sabha Act No.15 of 1987.

3. Systems and Controls

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

- a. Revenue Collection
- b. Fixed Assets
- c. Accounting
- d. Human Resource Management
- e. Donations
- f. Miscellaneous Deposits
- g. Budget.