

**Valvettiturai Urban Council**

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**Jaffna District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 22 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2014.

**1.2 Opinion**

In my opinion, except for the effects on the financial statements of the matters referred to in paragraph 1.3 of 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 Valvettiturai urban council as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

(i) The accounting deficiencies observed in the financial statements are shown in the following table as assets, liabilities and expenditure.

<b>Effect on Financial Statements</b>	<b>Assets</b>		<b>Liabilities</b>		<b>Expenditure</b>	
	<b>No. of Instance</b>	<b>Value</b>	<b>No. of Instances</b>	<b>Value</b>	<b>No. of Instance</b>	<b>Value</b>
		<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>
Understatements	01	23,000,000	-	-		
Overstatements			02	209,317	01	34,489

- (ii) The value of 18 land and buildings of the Sabha had not been assessed and included in the financial statements resulting in an understatement of assets.

### 1.3.2 Lack of Evidence for Audit

#### Non Rendition of Information for Audit

Transactions valued at Rs.202,500 could not be vouched in audit due to lack of necessary evidence for audit.

### 1.3.3 Non-compliance

The following instances of non compliance with laws, rules, regulations and management decisions were observed in audit.

#### Reference to Laws, Rules, Regulations

#### Non-compliance

Urban Councils Ordinance

Chapter 255  
Section 76(1)

Legal action had not been taken with regard to 26 unauthorized structures.

Chapter 255  
Section 159(1)

A sum of Rs.74,330 had been incurred as inaugural expenses of the new building contravening the regulations.

Financial Regulation

Value Added Tax act No.14 of 2002

The value added tax of Rs.2,600 recovered during the year under review had not been remitted to the Department of Inland Revenue.

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

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### **2.1 Financial Results**

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According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.1,366,328 as compared with revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.951,768.

### **2.2 Financial Control**

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It was observed in audit that there was a difference of Rs.14,838 between the budgeted and actual revenue and a difference of Rs.8,797,211 between the budgeted and actual expenditure due to lack of proper preparation of budget.

### **2.3 Revenue Administration**

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

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The information relating to the estimated revenue, actual revenue and the arrears of revenue, as presented by the Chairman, appear below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
(i) Rates and Taxes	790	772	4,545
(ii) Lease Rent	2,495	2,518	5
(iii) Licence Fees	484	1,124	-
(iv) Other Revenue	27,330	26,670	13,204

#### **2.3.2 Court Fines**

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Effective action had not been taken to recover the court fines of Rs.7,095,684 for the years 2012 and 2013 from the Magistrate's Court.

#### **2.3.3 Stamp Fees**

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The stamp fees of Rs.6,107,958 due from the Registrar General for 2012 and 2013 had been accounted for, as revenue and receivables. But, effective action had not been taken to recover it.

#### **2.3.4 Arrears of Assessment Tax**

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- (i) Revaluation of assessment tax had not been carried out for over 10 years. As such, the assessment tax for new buildings appeared to be less.
- (ii) The amount shown as assessment tax for the year under review was Rs.654,919. However, the assessment tax recoverable in ward No.9 amounted to Rs.4,544,635. Effective action had not been taken to recover the arrears.

#### **2.4 Assets Management**

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##### **Unutilized Physical Resources**

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Four vehicles of the Sabha remained idle for the past one year.

#### **2.5 Contract Administration**

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##### **2.5.1 Projects Abandoned**

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The construction of wall for Rs.100,000 around the public well of the Maananganai Kaththavarayar Kovil indicated in the budget for the year under review had not been carried out.

##### **2.5.2 Partly completed Projects**

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Six projects valued at Rs.3,175,000 had not been commenced at commencement of the year under review. The work commenced at the tail end of the year and the amount had been shown in the Sundry Debtors Account.

##### **2.5.3 Projects Abandoned without Completion**

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- (i) The construction of a parapet wall at the Mayiliranai crematorium valued at Rs.400,000 commenced during the previous year. The work had been suspended after spending Rs.58,046 due to protests made by the public.

- (ii) A sum of Rs.1,000,000 had been allocated for the drainage system at Vaadi Lane during the year under review. Although a sum of Rs.322,592 had been spent , the work had been suspended due to protests made by the Sivan Kovil Trustee.

### **3. Systems and Controls**

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

- (i) Vehicle Utilization
- (ii) Budget
- (iii) Collection of Revenue
- (iv) Sundry Debtors