

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 submitted to audit on 29 February 2016 and the financial statements for the preceding year had been submitted to audit on 04 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 28 September 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Valikamam East Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Stamp duty fees of Rs. 111,867,880 receivable from Registrar General of Land for the period from the year 2011 to the year 2014 had not been brought to account. As such, accumulated fund had been understated in the accounts.
- (b) Value of Head Office building had not been evaluated by the Valuation Department and brought to account. As such, the value of the building had been understated in the accounts.

1.3.2 Lack of Evidences

A transaction valued at Rs. 2,759,211 could not be satisfactorily vouched or accepted in audit due to lack of required evidences.

1.3.3 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliance
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(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 24	The schedules of roads and lanes belonging to the Pradeshiya Sabha had not been published in the Government Gazette.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Rule 32 of Chapter III	The register in respect of assessment tax on property had not been maintained by the Sabha and rates and taxes had not been recovered by the Sabha.
(c) Ministry of Public Administration and Home Affairs Circular Circular No. 41/90 dated 10 October 1990	Fuel consumption for the vehicles of the Sabha had not been tested at once in every six months

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year under review had resulted in an excess of income over recurrent expenditure of Rs.45,356,298 as compared with the corresponding excess of income over recurrent expenditure of Rs.13,179,265 for the preceding year. Increase of rent, other income and Government grants were the reasons attributed for this improvement in the financial results by Rs.32,177,033.

2.2 Working Capital

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 114,442,725 as compared with the corresponding working capital of Rs. 101,872,397 for the preceding year, thus indicating an improvement in the working capital by Rs. 12,570,328 for the year under review.

2.3 Revenue Management

2.3.1 Performance of Revenue Collection

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Secretary are given below.

Item of Revenue	Estimated	2015	
		Actual	Cumulative arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	620	660	5,255
Lease Rents	8,514	13,106	37
License Fees	1,906	1,890	6
Other Revenue	79,229	83,492	43,647
Total	90,269	99,148	48,945

2.3.2 Rates and Taxes

Register in respect of assessment tax on property for the Sub Office of the Sabha had been damaged in the year 1995. However, the register had not been prepared up to now and reassessment had not been carried out.

2.3.3 Lease Rents

Lease rents of Rs. 26,892 outstanding since the year 2012 had not been recovered up to the date of this report.

2.3.4 Stamp Fees

Stamp fees valued at Rs. 122,182,624 had not been recovered from the Registrar General of Lands during the year under review.

3. Operating Review

3.1 Management Inefficiencies

A tractor had remained in unusable condition in the Sabha.

3.2 Delays in Project

Three projects valued at Rs. 1,245,000 had not been executed during the year under review.

3.3 Solid Waste Management

Solid waste management activities had not been implemented under the purview of the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

The budget estimate had not been prepared properly. As such, variances ranging from Rs. 06 to Rs. 3,975,235 between the budgeted expenditure and actual expenditure were observed in audit.

4.2 Internal Audit

Internal audit activities had not been carried out satisfactorily.

4.3 Audit and Management Committee Meeting

Audit and Management Committee meetings had not been conducted by the Sabha.

4.4 Asset Management

Idle Assets

Market building had been constructed. However, such building had remained idle without being utilized.

5. Systems and Controls

Special attention is needed in respect of the following matters of the Sabha.

- (a) Cheque Payment Register
- (b) Cheque and Money Order Register
- (c) Audit Query Register