

## Vauniya South Sinhala Pradeshiya Sabha

### Vauniya District

#### 1. Financial Statements

##### 1.1 Presentation of Financial Statements

Financial statements for the year under review and the preceding year had been presented to audit on 22 April 2016 and on 21 April 2015 respectively. The report of the Auditor General for the year under review had been sent to the Secretary of the Sabha on 27 July 2016.

##### 1.2 Qualified Opinion

In my opinion except for 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 Vauniya South Sinhala Pradeshiya Sabha as at 31 December 2015 and its financial performance 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 are observed.

- (a) Even though the boutique rent receivable from 10 boutique lessees for the year under review amounted to Rs.173,750, it had been brought to accounts as Rs.146,450 and as such there was a difference of Rs.27,300.
- (b) Trade license fee revenue for the year under review had been overstated by Rs.13,600.
- (c) According to the bank balance confirmations letters, the balances of 7 fixed deposits as at 31 December of the year under review totaled Rs.7,061,053 but it had been shown in the financial statements as Rs.7,092,748 thus indicating a difference of Rs.31,695.
- (d) The interest income of Rs.65,384 relating to the year under review for the fixed deposit bearing No.77877441 in the Bank of Ceylon had not been brought to accounts.

###### 1.3.2 Unreconciled Accounts

When the opening balances relating to 10 items shown in the financial statements presented for the year under review were compared with the closing balances of the financial statements of the previous year, a difference of Rs.4,063,127 was observed.

### **1.3.3. Lack of Evidence for Audit**

- 
- (a) Reply to one audit query had not been presented by 30 September 2016 and the value of transactions subjected to that audit query can be computed at Rs.6,700,534.
  - (b) A detailed schedule to establish the value of library books amounting to Rs.962,945 was not made available for audit.

## **2. Financial Review**

### **2.1 Financial Results**

-----

According to the financial Statements presented, the revenue over recurrent expenditure for the year under review amounted to Rs.4,158,148 as compared the revenue over recurrent expenditure for the preceding year amounted to Rs.2,044,765.

### **2.2 Revenue Administration**

#### **2.2.1 Court fines and Stamp fees**

- 
- (a) Court fines recovered by the Majistrates court under various ordinances amounting Rs.927,934 were in arrears as at 31 December of the year under review.
  - (b) Action in terms of Section 129 (2)(b) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the arrears of stamp fees due to the Sabha for the period 2011 to 2015 amounting to Rs.1,993,932.

#### **2.2.2 Lease Rent**

-----

In terms of Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government, trade stall rent should be assessed and revised by the Department of Valuation at least once in 5 years. Without being recovered the rent, so assessed and revised, 10 trade stalls and 2 weekly fairs belonged to the Sabha had been rented by calling for quotations.

#### **2.2.3 Trade Licenses**

- 
- (a) In terms of Pradeshiya Sabha Rule 59 (Finance and Administration) of 1988, a list of trade businesses by conducting a survey at the beginning of each year within the jurisdiction of the Sabha had not been prepared.
  - (b) Furthermore, the Sabha had not recognized business premises operated within the area of authority of the Sabha by which Environmental Protection licenses should be obtained.

### **3. Operating Review**

-----

#### **3.1 Operating Inefficiencies**

-----

- (a) When a new journal entry is posted to the journal entries register, the approval of the Secretary of the Pradeshiya Sabha or a responsible officer should be given. However, such an approval had not been obtained for the transfer of a sum of Rs.3,113,045 to the Accumulated Fund.
- (b) The loan balance of Rs.112,347 due from an officer who had vacated his post had remained outstanding since the year 2013 and no any money had been recovered during the years 2014 and 2015.
- (c) In terms of the Financial Regulation, 571 (2) and (3) of the Democratic of Sri Lanka, the lapsed deposits should be credited to government revenue or repaid as early as possible. However, action had not been so taken in respect of lapsed deposits valued at Rs.1, 150,383.
- (d) According to the Public Finance Circular No.364 (3) dated 30 July 2002, the details of Value Added Tax (VAT) paid in each month should be informed the Department of Inland Revenue with a copy to the Auditor General before 15 day of the ensuing month. Nevertheless, action had not been taken accordingly, in respect of Value Added Tax amounting to Rs.2,777,659 paid in the year 2014 and Rs.2,050,327 paid for the year under review.

#### **3.2 Assets Management**

-----

##### **3.2.1 Idle and Under utilized Assets**

-----

- (a) Four tractors since the year 2012, a jeep since the year 2013, a tipper and a bowser since the year 2014 and a motor cycle received on 12 June 1996 belonged to the Sabha had been parked for a long time being underutilized.
- (b) As 4 trade stalls belonging to the Sabha had not been rented out for periods from 8 months to 12 months the revenue deprived of by the Sabha amounted to Rs.61,500.

##### **3.2.2 Annual Board of Survey**

-----

According to the paragraph 3.5 of the Public Finance Circular No.02/2014 dated 17 October 2014, before 26 of February every year, destroyable goods should be destroyed, repairable goods should be repaired and goods to be auctioned should be auctioned according to the shortages and excesses report and completed these processes. However, the Sabha had not taken action accordingly in respect of 31 items of goods in the year 2014 and 17 items of goods in the year 2015 so decided.

### **3.3 Contract Administration**

-----

The following observations are made.

#### **3.3.1 Construction of the concrete road in the Irattaperiyakalam 1st cross road**

-----

A sum of Rs.596,481 including the retention money had been paid on 25 January 2016 to a construction entity for making this road by covering concrete, 70 meters in length. Even though a foot chain had to be used both side of the road before being concreted, it was observed at the physical verification carried out on 02 June 2016 that it had not been used. Even though the Secretary of the Sabha had stated that there was insufficient funds, it was observed that this fault affected the existence and lifetime of the road.

#### **3.3.2 Construction of the Irraperiyakulam 1st sheet of the 2 nd cross road by paving asphalt**

-----

An agreement had been entered in to on 26 November 2015 for paving asphalt by laying rubble on this road, 60 meters in length for a sum of Rs.263,495 and a sum of Rs.243,871 had been paid to the contractor on 13 January 2016. It was observed at the physical verification carried out on 02 June 2016 that 25 meters of this road had not been widened but narrowed and remained without shoulders resulting the road was protruded both sides.

#### **3.3.3 Construction of Irraperiyakulam 1st cross road by laying asphalt**

-----

An agreement had been entered into with a contractor on 20 August 2015 for laying asphalt by paving stones 270 meters in length of this road for Rs.1,260,000 and a sum of Rs.1,778,774 had been paid to the contractor in October 2015. Although the width of this road with shoulders should be 5.20 meters and the width of the asphalted part of the road should be .3.7 meters, according to the measurement obtained after being verified one place of the road on 02 June 2016, the width of one shoulder had been 0.625 meters and the width of the asphalted part of the road had been 3.55 meters. Accordingly, the width of one shoulder and the width of the asphalted part of the road had been constructed less than that of the specific width by 0.125 meters and 0.15 meters respectively. In addition, over payment of Rs.8,640 (67.5 m X Rs.128) in respect of shoulders and Rs.37,825 (40.5 m X Rs.933.95) in respect of asphalted part had been made.

### **4. Accountability and Good Governance**

-----

#### **4.1 Internal Audit**

-----

Even though guidelines and a questionnaire had been introduced to carry out internal audit through a Computerized Information System (CIS) efficiency by the Circular No.DMA/2012/101 dated 13 January 2012 of the Department of Management Audit, action had not been taken accordingly.

**5. Systems and control**

-----

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

- (i) Accounting
- (ii) Assets Management
- (iii) Revenue Administration
- (iv) Internal Audit