

Valikamam East Pradeshiya Sabha
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 10 March 2017 and the financial statements for the preceding year had been submitted to audit on 29 February 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 24 July 2017.

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 2016 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 Policies

Accounting policies to be adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Ownership of pickup and tractor issued as donation in the year 2009 had not been transferred to the Sabha and value thereon had not been ascertained and brought to the accounts, thus value of motor vehicles and cycles had been understated in the accounts.
- (b) Value of Head Office building had not been ascertained and brought to account, thus the value of the building had been understated in the accounts.

1.3.3 Non-maintenance of Registers and Books

Registers such as register of measurement and register of tax on land sales had not been maintained by the Sabha.

1.3.4 Lack of Evidences for Audit

Payments valued at Rs. 481,367 could not be satisfactorily vouched or accepted in audit due to lack of evidences such as certified list of pensioners, certification of beneficiaries and quotations.

1.3.5 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 (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.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 103	Officers responsible in respect of stolen water pump valued at Rs. 21,965 stolen had not been identified and the loss recovered.
(ii) Financial Regulation 316 (2)	Registers in respect of goods kept in safe custody had not been maintained.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 67,689,361 as compared with the corresponding excess of income over recurrent expenditure of Rs. 45,356,298 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 22,333,063 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs. 3,891 as compared with the corresponding net surplus of Rs. 4,857 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 966 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 262,639,035 as compared with the corresponding working capital of Rs. 114,442,725 for the preceding year, thus indicating an improvement in the working capital by Rs. 148,196,310 for the year under review.

2.4 Revenue Administration

2.4.1 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	2016	
		Actual	Cumulative Arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
Rates and taxes	600	626	5,246
Lease Rents	14,061	15,476	375
License Fees	1,808	2,070	-
Other Revenue	106,448	103,697	191,327
Total	122,917	121,869	196,948
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2.4.2 Assessment tax on Property

Reassessment had not been carried out for the properties of the Sabha once in every 05 years.

2.4.3 Lease Rents

Lease rent of meat stall and fines amounting to Rs. 26,892 outstanding since the year 2012 had not been recovered up to the date of this report.

2.4.4 Court Fines and Stamp Fees

The following observations are made.

- (a) Court fines of Rs. 2,029,348 had not been recovered by the Sabha up to now.
- (b) Stamp fees valued at Rs. 136,236,619 had not been recovered from the Registrar Generals of Lands up to now.

3. Operating Review

3.1 Management Inefficiency

Even though approved cadre of the Sabha was 123, actual cadre was 94, thus shortages and excess in the cadre were 30 and 01 respectively.

3.2 Delays in Projects

Capital works valued at Rs. 30,736,363 had not been carried out by the Sabha during the year under review.

3.3 Waste Management

Wastes had been dumped without being separated.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 2,517 to Rs. 10,708,222 between the budgeted expenditure and actual expenditure were observed in audit.