

**Venkalacheddikulam Pradeshiya Sabha  
Vavuniya District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2016 had been submitted to audit on 28 March 2017 and the financial statements for the preceding year had been submitted to audit on 21 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 13 September 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effects 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 Venkalacheddikulam 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**

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**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed.

- (a) Even though the assets included in the opening balance of the Sabha had not been made available physically, those balances had been included in the value of the assets as at the end of the year, thus the value of the assets as at 31 December 2016 had been overstated by Rs. 9,772,052.
- (b) Even though stamp duty receivable by the Sabha amounted to Rs. 2,655,937, a sum of Rs. 2,554,280 had been shown as stamp duty receivable in the government debtors account, thus a difference of Rs. 101,657 were observed in audit.

**1.3.2 Receivable**

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No action had been taken to obtain the ayurvedic donation of Rs. 43,700 for over 13 years.

**1.3.3 Non-compliances with Laws, Rules and Regulations**

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The following instances of non-compliance with laws, rules and regulations were observed.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliances</b>
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(a) Pradeshiya Sabha (Financial and Administrative) Regulation of 1988	

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| (i) Rule 153  | A statement of revenue receivable (P.S.7) had not been prepared.   |
| (ii) Rule 165   | Liabilities, revenue and expenditure had not been recorded in the main ledger.   |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br>Financial Regulation 571 | It was observed that although lapsed deposits totalling Rs. 44,928 had been kept in the deposit account for a long period, no action had been taken in this regard in terms of financial Regulation 571. |
| (c) Paragraph 02-1 of Public Administration Circular No. 41/90 dated 10 October 1990                    | Even though consumption of fuel should be tested once in every six months by running the vehicle after filling the tank fully. However, action had not been taken accordingly.                           |

**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented, the operations of the Sabha for the year under review had resulted net surplus of Rs. 2,319,247 as compared with the corresponding net surplus of Rs. 7,950,470 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 5,631,223 for the year under review.

**2.2 Revenue Administration**  
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**2.2.1 Performance of Revenue Collection**  
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It was observed in audit that a difference had been incurred between the budgeted revenue and the actual revenue as the budget estimate had not been prepared properly and estimate had not been planned and programmed properly.

**2.2.2 Assessment tax on Property**  
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Revaluation had not been done for properties under the purview of the Sabha for over the last 10 years and assessment tax income thereon had not been recovered.

**2.2.3 Court Fines**  
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No action had been taken to recover court fines of Rs. 1,088,770 receivable to the Sabha as at 31 December 2016 from the Vavuniya Court under the various ordinance.

**2.2.4 Stamp Fess**  
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No action had been taken to recover stamp duty of Rs. 2,554,280 receivable by the Sabha.

### 2.3 Management Inefficiencies

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The following deficiencies were observed.

- (a) Even though six vehicles of the Sabha had remained idle for a long period, no action had been taken in this regard in terms of Circular No. 02/2015 dated 10 July 2015 of the Department of Public Finance.
- (b) There were 18 vehicles in the Sabha. However, no action had been taken to transfer ownership of those vehicles to the Sabha up to the date of this report.
- (c) Even though 210 items had been indicated as non-usable in the report on annual board of survey of the preceding year, no action had been taken in this regard in terms of Public Finance Circular No. 438 dated 13 November 2009 up to date of this report.

### 2.4 Contract Administration

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- (a) Shopping complex had been constructed at a cost of Rs. 7,008,023 under NELSIP Project during the year under review. However, audit test checks revealed that there were 03 cracks at beam level and vertically in every stall located at the shopping complex. In addition, there were 03 cracks at the front hall horizontally.
- (b) A sum of Rs. 331,547 had been paid by the Sabha for the construction work of Periyathampanai public well during the year under review. However, 06 cracks were observed during the audit test checks carried out thereon.
- (c) A sum of Rs. 390,469 had been paid by the Sabha for the construction work of Marukkaarampalai public well during the year under review. However, 07 cracks were observed.
- (d) The construction work of Pramanaalankulam public well had been completed on 14 November 2016 and a sum of Rs. 334,434 had been paid thereon. However, it had not been utilized up to 22 June 2017.

### 2.5 Idle and Underutilized Assets

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#### (a) Repair Works of Thudduvaakai Market Building

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The works of Thudduvaakai market building had been completed on 28 December 2016 and sum of Rs. 297,262 had been paid by the Sabha during the year under review. However, no action had been taken by the Sabha to utilize it up to 22 June 2017.

#### (b) Repair of Public Library, Cheddikulam (Thudarikulam)

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The repair works of Public Library had been completed on 28 December 2016 and sum of Rs. 496,011 had been paid by the Sabha during the year under review. However, no action had been taken by the Sabha to utilize it up to 22 July 2017.

**2.6 Staff Shortage – 2016**  
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Approved cadre and actual cadre of the Sabha as at 31 December 2016 were 62 and 47 respectively. As such, 15 shortages were observed in audit.

**3. Systems and Controls**  
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Special attention is needed in respect of the following areas of controls.

- (i) Collection of Revenue
- (ii) Fixed Assets
- (iii) Advance Receipts
- (iv) Advance Payments
- (v) Capital Works
- (vi) Maintenance of Main Ledger