

**Vauniya South Sinhala Pradeshiya Sabha  
Vavuniya District**

-----

**1. Financial Statements**

-----

**1.1 Presentation of Financial Statements**

-----

Financial Statements for the year 2016 had been submitted to Audit on 30 March 2017 and financial Statements for the preceding year had been submitted to Audit on 22 April 2016 respectively while the Auditor General's Report relating to the year 2016 was sent to the Secretary of the Sabha on 16 August 2017.

**1.2 Qualified Opinion**

-----

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Vavuniya South Sinhala 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 Deficiencies**

-----

Following observations are made.

- a) Action had not been taken to assess and taken to account as fixed assets of shops in 03 buildings situated in Irrateperiyakulama, Agbopura and Mamaduwa.
- b) Interest receivable for the year under review for the fixed deposit of 2.5 million in Bank of Ceylon had not been calculated and accounted.
- c) Nine land and buildings belonging to Sabha had not been valued and accounted under land and buildings.
- d) A sum of Rs. 253,412 received as deposits from the contractors had not been accounted under Refundable Deposits.
- e) Overpayment of audit fees amounting to Rs. 49,465 paid for the year 2015 had been adjusted to the expenditure of the year under review without debiting to the Accumulated Fund and as a result the surplus was under calculated from that amount.

**1.3.2 Unreconciled Control Accounts**

-----

Even though as per bank confirmation letters value of 7 Fixed Deposits as at 31 December of the year under review amounted to Rs. 7,232,948, it was Rs. 7,264,642 as per the financial accounts and a difference of Rs. 31,694 had been indicated.

### 1.3.3 Accounts Receivable

-----

The total of four accounts receivable as at 31 December of the year under review was Rs.4,913,425 and in that value, a sum of Rs. 2,062,539 had been outstanding for more than one year.

### 1.3.4 Lack of Evidence for Audit

-----

Following observations are made.

- a) A detailed schedule was not submitted to audit to prove the value of the library books of Rs. 980,095.
- b) The documents to confirm the ownership of lands and buildings valued at Rs.88,873,621 were not submitted to the audit.

### 1.3.5 Non-compliance with Laws, Rules and Regulations

-----

Instances of following non-compliances with provisions in Laws, Rules and Regulations and Management Decisions were observed.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
-----	-----
<b>(a) Pradeshiya Sabha Regulation (Finance and Administration) of 1988</b> -----	
Rule 5(7)	An adequate internal audit had not been conducted relating to financial and stores activities.
Rule 165	Non- maintenance of a main ledger.
Rule 166	Non- maintenance of a journal.
Rule 65	At the end of the period, the Registrar had not prepared and a list of names of those who defaulted on payment submitted to the Secretary.
Rule 130	The petty cash book not been updated according to P.S. 8
Rule 152	Monthly income summaries not been maintained according to P.S. 6

Rule 155	Non- maintenance of a cash book according to P.S. 10
Rule 159	Non- maintenance of monthly accumulated receipt classification according to P.S. 15.
Rule 163	Non- maintenance of a register of revenue summery according to P.S. 19.
Rule 169	Non- maintenance of the Ledger and work details measurement book according to P.S. 40 and 43 respectively.
Rule 180	Deposit had not been made by the officers who are in charge of the cash or stores activities or the officers who perform duty as collection activities.
Rule 193	Compared with the budget provision and supplementary standards, a statement under each revenue code and under each object which should be prepared at 31 December of each year had not been furnished to audit with the statement of explanation of surpluses of the balance remains unpaid.
Rule 217	A register of all land using and buildings occupied by the Sabha had not been maintained according to P.S. 46.

**b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.**

-----

Financial Regulations 133 and 134	Copies of internal audit plan and internal audit reports for the year under review had not been submitted to the audit.
Financial Regulations 570	Even though a list of lapsed deposits should be prepared for every half year and submitted to audit, it had not been so done.
Financial Regulations 571(2) and (3)	Even though lapsed deposits should be credited to the state revenue or repay as soon as possible, action had not been taken as per regarding lapsed deposits amounting to Rs.499,303.

- c) Public Finance Circular No.364(3) dated 30 July 2002. Even though details of Value Added Tax (VAT) paid for each month should be informed to the Department of Inland Revenue with a copy to the Auditor General before the 15 of next month, action had not been taken as per for a sum of Rs. 2,777,659 paid in the year 2014 and Rs. 2,050,327 paid in the year 2015 and Rs. 2,686,465 paid during the year under review.

## **2. Financial Review**

-----

### **2.1 Financial Results**

-----

According to the financial statements presented, the revenue less than the recurrent expenditure for the year under review amounted to Rs.1,691,900 against the revenue over recurrent expenditure of the preceding year amounted to Rs.4,158,148.

### **2.2 Analytical Financial Review**

-----

The main reason for decrease of income over expenditure for the year under review by Rs.1,691,900 than the previous year income over expenditure of Rs. 4,158,148 was accounting capital expenditure amounting to Rs.5,945,707 of the year under review as a recurrent expenditure.

### **2.3 Revenue Administration**

-----

#### **2.3.1 Performance on Revenue Collection**

-----

According to the Section 123(2) the Pradeshiya Sabja Act No. 15 of 1987 although every by-law is to be published in the Gazette with the notification given in Subsection (1) of this Section, revenue for the year under review had been collected without being prepared and published the by-law in the Gazette.

#### **2.3.2 Lease Rental**

-----

Following observations are made.

- a) According to the Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government, shop rent should be assessed even every once in five years by the Department of Valuation, 13 shops of Sabha had been rented out by calling quotations without been so done.
- b) An income of Rs. 96,900 had been deprived to the Sabha due to during the year under review due to 7 shops were not leased out throughout the year.

### **2.3.3 License Fee**

-----

Following observations are made.

- a) Even though the license fee of Rs.114,000 which should be charged from the date of established up to the year under review in respect of the establishment of seven telephone towers in the area of Padeshiya Sabha, action had not been taken to recover those income.
- b) License for the vendors of the area had not been issued in terms of Section 126(X)(b) of the Pradeshiya Sabha Act No. 15 of 1987.
- c) Business premises in the Sabha area which should obtain environmental protection licenses had not been identified.

### **2.3.4 Other Income**

-----

Following observations are made.

- a) Although action should be taken to recover charges from the advertisement boards displayed in the area according to the Section 126 (VII) (f) of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to recover a sum of Rs. 160,500 from 49 advertisement boards during the year under review.
- b) Action had not been taken to recover charges from 210 tube wells located within the Sabha area for the year under review.
- c) In terms of Section 47 of the Pradeshiya Sabha Act No. 15 of 1987, no permissions were granted for the constructions within the Sabha area and no any charges had been recovered.

### **2.3.5 Court Fines and Stamp Duty**

-----

Following observations are made.

- a) The amount sent by the Magistrate Courts to Secretary of the Sabha under various Ordinances during the year under review was Rs. 2,852,677 and arrears as at 31 December was Rs. 803,084.
- b) Stamp fees Received by the Secretary of the council during the year under review was Rs.144,045 and arrears as at 31 December was Rs. 2,578,357.

### **2.4 Management Inefficiencies**

-----

Following observations are made.

- a) Action had not been taken to fill 4 drivers vacancies and 4 other vacancies continuing from the year 2013 in the approved cadre of the Council as at 31 of December of the year under review.
- b) The loan balance from an officer who has left the service from the end of 2013 was Rs.112,347 and not an any amount had been recovered in the years 2014, 2015 and 2016.

- c) Necessary action had not been taken regarding 19 items that had to be disposed as per the recommendation of the Board of Survey in the year 2015.

## **2.5 Operational Inefficiencies**

-----

Following observations are made.

- a) Office equipment had been purchased at a cost of Rs. 2,223,032 for the use of the Sabha Cultural Center under the strengthening program Pradeshiya Sabha of the Ministry of Local Government and Provincial Councils. These items were idled for two years without using even by 27 April 2017 due to purchasing of these items for the center without fixing a exact date for commencement of the center. Further, the 2 years guarantee period of those items also been expired.
- b) Even though as per the mission statement of the Pradeshiya Sabha, it should be provide benefits to the general public by having maximum development of the area, none of the development activities had been carried out in the Pradeshiya Sabha area from the Sabha Fund from the year 2012 to the year 2015 and a sum of Rs. 34.702 had been spent for the Development activities in the year under review. It was revealed at the investigation carried out regarding funds of the Pradeshiya Sabha, a sum of Rs. 7,264,642 had been invested in Fixed Deposits and the funds ranged from Rs. 06 to 09 million in bank account in every month.

## **2.6 Idle/ Under Utilized Assets**

-----

Following observations are made.

- a) The Council has 08 four Wheel Tractors and 03 Two Wheel Tractors and as at 31 December 2016, only Rs.27,230 had been earned using only one tractor.
- b) There are 22 vehicles owned by the Sabha but only one driver was deployed for driving.
- c) As a result of the lack of machine operators, 3 machines were operated by other employees.
- d) A sum of Rs. 4,237,251 had been spent for the construction of 3 weekly markets situated in the authority area of the Pradeshiya Sabha, but it was not used even up to 28 April 2017.
- e) Maruti Jeep owned by the Sabha from the year 2013, a tipper and a bowser from the year 2014 and the motor cycle MD 90 since about 21 years have not been used.

## **2.7 Contract Administration**

-----

### **(a) Construction of the New Building of the Pradeshiya Sabha -Rs. 14,926,848**

-----

Following matters were observed.

- (I) Advantage from the open bidding of the procurement could not be obtained due to a sum of Rs. 850,000 had been paid to laying Skip Tiles under extra work without an estimate for laying floor tiles for the upstairs while planning the construction.

- (II) Skip tiles amounted to Rs.783,700 had been laid without the recommendation for laying skip tiles under subject G-11 of the estimate. Also it was observed was that the tile was slippery and could not be ruled out the risk of slipping.

**(b) Construction of the Cultural Center**

-----

A sum of Rs. 5,400,890 had been paid to a private contraction institute for the construction of the second phase of the Cultural Center for which on agreement was entered to a cost of Rs. 6,000,000. Following observations are made in this connection.

- (I) Although a sum of Rs .460,382 had been paid for fixing hatches under work item 45, 46 and 47 of the estimate, but those were shaking due to those fences not been fixed properly.
- (II) According to the work item 68 a sum of Rs. 693,000 had been spent for fixing 10 windows for the upper floor. It was observed in physical examination that the installation of Iron Scrub or Grill is essential for these windows. Further, failure to meet this requirement resulted in high security of risks for residents.

**(c) Construction of Mahamilankulama Tasformer Road with Tar - Rs. 1,065,053**

-----

- (I) According to the sub-item No. 07 of the estimate, the base should be gravel and press, but the gravel was washed out of the base from due to rain as a result of not pressing.
- (II) According to the estimate the width of the road should be 3.3 meters, but at the physical examination it was found that the width of the road was ranged 2.7 meters to 2.8 meters.
- (III) According to estimates, even though the width of one side of the base should be 2 feet, the base was ranged from 1 to 1.5 feet and the survival of the road would be damaging.

**(d) Construction of Mahakachchikudi, Pirappanmaduwa Road with Tar - Rs.2,189,175**

-----

Following observations are made.

- (I) According to the sub-item no. 10 of the estimate, the base should be gravel and press, but the gravel was washed out of the base from rain due to not gravelling
- (II) The total length of the road is about 390 meters, out of that about 200 meters in length It had fallen to the ground.
- (III) According to estimates, even though the width of one side of the base should be 2.5 feet, the base was ranged from 1.5 to 2 feet and it was not possible to ruled out the survival of the road would not be damaging due to not implementing according to estimate.

**(e) Construction of the Common Well at Irratteperiyakulam - Rs. 485,700**

-----

- (I) Although provision had been made for the construction of a public well, a well was built on a private land owned by a member of the Sabha.

- (II) Even though a rope, two buckets and a name board were not provided under item number 17, 18 and 20, a sum of Rs. 1,548, Rs. 2,052 and Rs. 10,000 respectively had been approved for payment.

## **2.8 Accountability and Good Governance**

-----

### **2.8.1 Internal Audit**

-----

Following observations are made.

- a) An adequate internal audit had not been carried out by the Internal Audit Officer according to the circular No. DMA/2009(2) dated 01 September 2009 of the Department of Management and Audit.
- b) Further, according to the Circular No. DMA/2012/101 dated 13 January 2012 of the Department of Management Audit, guidelines and a questionnaire had been introduced stating that internal audit should be conducted in a computerized information system to implement the internal audit with efficiency, action had not been taken as per.

## **2.9 Un Replied Audit Queries**

-----

Replies for 3 audit queries relating to the year 2015 and 3 audit queries relating to the year 2016 had not been furnished to audit up to 05 June 2017.

## **3. System and Control**

-----

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary to the Sabha from time to time. Special attention is needed in respect of the following areas of control

- (a) Accounting
- (b) Assets Control
- (c) Revenue Administration
- (d) Vehicle Administration
- (e) Internal Control