

**Vadamaradchy South West Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 30 September 2018.

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 Vadamaradchy South West Pradeshiya Sabha as at 31 December 2017 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 had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The value of four vehicles not belonging to the Sabha totalling Rs. 3,082,000 had been brought to financial statements, thus the value of the motor vehicles had been overstated in the financial statements for the year under review.
- (b) The value of three vehicles belonging to the Sabha had not been assessed and brought to financial statements for the period of last 02 years to 15 years, thus the value of the motor vehicles had been understated in the financial statements for the year under review.
- (c) The value of a land purchased at a cost of Rs. 576,000 in the year under review had not been brought to financial statements, thus the value of the properties had been understated in the financial statements for the year under review.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

According to the reconstruction work scheme of roads length of 1000 kilometer in rural areas by the Ministry of Provincial Councils and Local Government, reconstruction works of malavarayar road valued at Rs. 6 million had been completed on 22 November 2017. However, a sum of Rs. 2,162,052 had not been obtained from the Ministry of Provincial Councils and Local Government up to now, thus such amount had not been settled to the contractor.

(b) Accounts Payable

A provision of Rs. 142,600 had been made in the sundry creditors account. However, no meaningful actions had been taken by the Sabha to pay such amount to the creditors up to now.

1.3.4 Non-compliances

Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
	Rs.	
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	2,301,213	A warrant had not been issued by the Secretary of the Sabha to the defaulters of the arrears of assessment tax on property.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	283,625	No meaningful actions had been taken by the Sabha in respect of three categories of lapsed deposits.
(c) Ministry of Public Administration and Management Circular		
(i) No. 30/2016 dated 29 December 2016		Fuel consumption had not been tested for 03 vehicles of the Sabha for the period of one year.
(ii) No. 13/2008 of 26 June 2008		No actions had been taken to submit daily running charts of 09 vehicles to

audit before 15th day of the following month.

- (d) Finance circular of Northern Province
No. PF/01/2017 of 07 March 2017

Security money had not been paid by five officers

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 48,910,945 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 48,863,336.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The following matters were observed.

- (a) Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	670,400	-	141,657	2,301,213	670,400	-	141,113	2,188,049
(ii) Rentals	22,765,680	-	14,471,906		25,685,900	-	17,106,478	-
(iii) License Fees	1,764,000	-	1,630,247		1,457,400	-	1,612,200	-
(iv) Other Revenue	32,871,510	-	41,702,858	118,882,503	33,484,900	-	36,646,436	85,674,108
	58,071,590	-	57,946,668	121,183,716	61,298,600	-	55,506,227	87,862,157

2.2.2 Rates and Taxes

No meaningful actions had been taken by the Sabha to recover arrears of assessment tax on property totalling Rs. 2,301,213 for the period of last 01 year to 09 years.

2.2.3 Court Fines and Stamp Fees

Court fines of Rs. 1,474,910 and stamp fees of Rs. 7,876,038 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Performance

The following matters were observed.

(a) Failure to achieve the Expected Output

Muthalaikkuli drinking water supply scheme had been completed at a cost of Rs. 2,999,724 by the fund of Provincial Specific Development Grants. However, drinking water supply activities of that scheme had been stopped as the water had become sour. As such, expected level of output through this scheme had not been achieved over the last 03 years.

(b) Solid Waste Management

The following matters were observed.

- (i) The daily collection of garbage had not been cut in to pieces and covered with soil.
- (ii) No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell.
- (iii) Solid wastes had been burnt in order to making hazards to the environment without being segregated in terms of the national policies,

3.2 Management Inefficiencies

The Sabha had failed to renew 817 library memberships of four libraries belonging to the Sabha annually.

3.3 Human Resources Management

The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 15 human resources had been delayed.

3.4 Operating Inefficiencies

The following matters were observed.

- (a) The Sabha had failed to carry out revaluation of properties for the last 45 years.
- (b) Two cemetery watchers had been employed in the Sabha. However, no meaningful actions had been taken by the Sabha to recover cemetery tax up to now.

3.5 Assets Management

3.5.1 Failure to hand over Assets

Six tractors not belonging to the Sabha had been used by the Sabha for the last 07 years to 16 years.

3.5.2 Idle Assets

It was observed that a Pre School had not been functioned at Kaddaively. As such furniture of that school had remained idle without being maintained. However, no meaningful actions had been taken by the Sabha to function such Pre School for the last 04 years.

3.5.3 Annual Board of Survey

At the board of survey of the year under review, 620 library books had not been made available for physical verification. However, reasons therefor had not been informed to audit.

4. Accountability and Good Governance

Budgetary Control

Variances ranging from Rs. 1,961 to Rs. 12,345,771 or from 0.1 per cent to 20 per cent between the budgeted revenue and actual revenue and from Rs. 180,855 to Rs. 13,074,403 or 13 per cent to 21 per cent between the budgeted expenditure and actual expenditure were observed.

5. Systems and Controls

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

Systems	Deficiencies
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(a) Accounting	Failure to maintain register of trade license fees, register of losses, register of street lamps, register of measurement sheets, register of tax on land sales and vehicle log book.
(b) Stocks	Failure to enter eleven categories of goods in the stock register.