

Valikamam 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 02 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 Valikamam 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

The following matters were observed.

- (a) Accounting policies adopted in preparing the financial statements had not been disclosed in the financial statements.
- (b) It was observed that court cases in respect of outside parties encroached Hindu cemetery land in extent of 32 lachams belonging to the Sabha and ownership of valinungai land in extent of 60 lachams purchased at Rs. 3,242,600 had been held at District Court for the last 15 years. However, matters in this regard had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) The value of twelve properties not belonging to the Sabha totalling Rs. 13,775,306 had been included in the financial statements, thus the value of the land and buildings had been overstated in the financial statements of the year under review.
- (b) The value of kaadaappulam property belonging to the Sabha amounting to Rs. 4,508,825 had not been brought to financial statements, thus the value of the land and buildings had been understated in the financial statements for the year under review.

- (c) The values of nine vehicles belonging to the Sabha had not been assessed and included in the financial statements, thus the value of the motor vehicles and cycles had been understated in the financial statements for the year under review.

1.3.3 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
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	Rs.	
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	10,031,741	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	127,500	No meaningful actions had been taken by the Sabha in respect of 56 lapsed tender deposits for the last 02 years to 07 years.
(c) Finance circular of Northern Province No. PF/01/2017 of 07 March 2017		Security money had not been obtained from 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. 50,399,647 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 45,367,037.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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	2,615,000	2,535,003	2,600,466	6,879,629	2,725,000	3,005,975	2,599,792	6,899,457
(ii) Rentals	28,585,000	-	30,103,144	-	25,288,600		21,454,260	-
(iii) License Fees	3,248,700	-	3,442,528	-	2,826,000		3,450,048	-
(iv) Other Revenue	42,812,000	-	89,464,080	215,634,685	43,392,000		63,403,076	193,861,477
	772,260,700	2,535,003	125,610,218	222,514,314	74,231,600	3,005,975	90,907,176	200,760,934

2.2.2 Rates and Taxes

Rates

No meaningful actions had been taken by the Sabha to recover arrears of assessment tax on property totalling Rs. 10,031,740 for the period of last 01 year to 54 years.

2.2.3 Rentals

Lease on Trade Ownership

It was observed that a court case was being held for 02 years in respect of arrears of lease totalling Rs. 275,508 to be recovered from the lessee for leasing out of a fish market.

2.2.4 License Fee

No meaningful actions had been taken by the Sabha to recover trade license fees totalling Rs. 6,000 for the year under review.

3. Operating Review

3.1 Performance

The following matters were observed.

(a) Abandoned Activities

Fifty capital works valued at Rs. 198,200,000 planned to be carried out in the year under review had completely been abandoned without being completed.

(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 collected without being segregated in terms of the national policies.

3.2 Human Resources Management

The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 12 human resources had been delayed.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) Assessment had not been carried out for the properties situated at Pandatharippu area of the Sabha for the last 34 years.
- (b) Development works had been made by the Sabha for 14 cemeteries belonging to the Sabha. However, cemetery tax had not been recovered.

3.4 Transactions in Contentious Nature

Head office building accompanying with library had been constructed at a cost of Rs. 40,486,686 by the fund of the improvement of infrastructure facilities of local authority project and handed over on 15 August 2012. It was observed that interest of Rs. 3,401,024 had been charged and paid to the contractor from the fund of the Sabha due to delays incurred in final payment to the contractor in respect of above-mentioned work. Further, it was observed delays in taking meaningful actions by the Secretary of the Chief Ministry of Northern Province to recover such interest from the responsible parties for the last two years in terms of letter No. NP/05/01/PS/VSW/30/02 dated 06 April 2016 of the Secretary to the relevant Ministry.

3.5 Assets Management

3.5.1 Failure to handed over Assets

The following matters were observed.

- (a) A pickup vehicle belonging to the Ministry of Provincial Councils and Local Government being used by the Sabha had been taken by the former chairman of the

Sabha without being handed over when function period of the Sabha was over in the year 2013. However, such vehicle had not been handed over to the Sabha up to now.

- (b) A tractor not belonging to the Sabha had been used by the Sabha for the last 07 years to 16 years.

3.5.2 Idle Assets

The following matters were observed.

- (a) No meaningful actions had been taken by the Sabha to utilize a weekly market building complex constructed at a cost of Rs. 880,625 at Piranpattu area for the last 02 years.
- (b) Two bowsers had remained in unusable condition.

3.5.3 Annual Board of Survey

No meaningful actions had been taken by the responsible parties up to now in respect of 182 library books which had not been made available physically.

4. Accountability and Good Governance

Budgetary Control

Variances ranging from Rs. 464,181 to Rs. 13,183,682 or from 37 per cent to 21 per cent between the budgeted revenue and actual revenue and from Rs. 85,984 to Rs. 15,850,267 or 16 per cent to 91 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 losses, register of street lamps, register of measurement sheets, register of tax on land sales and vehicle log book.
(b) Properties	(i) Failure to establish a protection. (ii) Failure to enter in register.