

**Valikamam South Pradeshiya Sabha  
Jaffna 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 2017 had been presented to Audit on 16 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 11 September 2018.

**1.2 Qualified Opinion**

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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 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**

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**1.3.1 Accounting Policies**

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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**

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The following matters were observed.

- (a) A trailer of tractor valued at Rs. 191,000 issued by the Chief Secretary of North East Province as donation before the last 12 years had not been owned by the Sabha. However, values thereof had been included in the financial statements, thus the value of the vehicles had been overstated in the financial statements of the year under review.
- (b) The values of motor roller and laptop issued to the Sabha as donation had not been assessed and brought to financial statements for period of last 02 years to 05 years, thus the value of the plant and machinery had been understated in the financial statements of 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
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	33,151	No meaningful actions had been taken by the Sabha in respect of three types of lapsed deposits for the period of last 02 years to 05 years.
(b) Ministry of Public Administration and Management Circular No. 30/2016 dated 29 December 2016		Fuel consumption had not been tested for 05 vehicles of the Sabha for the period of one year.

## 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. 104,354,496 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 88,725,538.

### 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.
Rates and Taxes	14,028,700	–	15,105,496	17,254,352	2,887,000	–	1,791,166	5,901,887
Rentals	41,083,000	–	41,137,004	233,695	36,521,800	–	34,293,706	137,300
License Fees	6,293,000	–	8,305,231	-	12,310,000	–	20,000,881	-
Other Revenue	31,701,000	–	63,969,502	123,664,245	25,393,500	–	50,343,488	117,836,427
	<b>93,113,700</b>	<b>–</b>	<b>128,517,233</b>	<b>141,152,292</b>	<b>77,112,300</b>	<b>–</b>	<b>106,429,241</b>	<b>123,875,614</b>

- (b) It was observed that schedules had not been issued by the Sabha in collecting rates and taxes and arrears had been accumulated based on differences between estimated revenue and collected revenue.

### 2.2.2 Rates and Taxes

No meaningful actions had been taken by the Sabha to recover arrears of rates and taxes totalling Rs. 10,926,596 for the period of last 01 year to 05 years.

### 2.2.3 Rentals

The following matters were observed.

- (a) No meaningful actions had been taken by the Sabha to recover arrears of stall rent totalling Rs. 92,090 for the period of last 05 years.
- (b) No meaningful actions had been taken by the Sabha to recover market leases totalling Rs. 2,120,526 for over the last 05 years.

### 2.2.4 Stamp Fees

Stamp fees of Rs. 35,650,806 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

According to the section 3 of the Pradeshiya Sabhas Act, the matters disclosed relating to the Sabha in control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities had been as follows.

**(a) Abandoned Activities**  
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A sum of Rs. 1,200,000 had been spent to commence the performance of activities in the year under review and preceding years. However, those activities had been abandoned without being obtained expected results up to now.

- (i) Construction works of sewerage treatment center being constructed by the Jaffna District Secretariat since 08 September 2016 at Koththiyalady area of Chunnakam under the purview of the Sabha by using fund allocation of Ministry of Prison, Reforms, Rehabilitation and Hindu Religious Affairs had been suspended on 13 March 2018. However, construction works of sewerage treatment center had not been completed up to now, thus there was not able to carry out treatment of sewerages within the authority area of the Sabha.
- (ii) Out of the allocation of 3,250,000 made for constructing compound wall length of 407 feet for playground at Punnalaikkadduvan in the year 2015, compound wall length of 222 feet valued at Rs. 1,200,000 had been constructed. However, it was observed that there was not able to construct remaining compound wall length of 185 feet up to now due to protests made by the public.

**3.2 Human Resources Management**  
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It was observed in audit that the Sabha had not recruited and deployed human resources properly. As a result, works to be completed by 13 human resources had been delayed.

**3.3 Assets Management**  
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**3.3.1 Failure to handover Assets**  
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Six vehicles being used by the Sabha for the last 15 years had not been owned by the Sabha up to now.

**3.3.2 Failure to carry out Maintenance and Repairs**  
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Iron bars fixed for upper floor construction of market building at Maruthanarmadam had been corroded in unsafe manner. Further, there were cracks in the roof of down floor due to constructing improperly. As such, owners of stalls had informed to the Sabha that there were leakages during rainy season. However, no meaningful actions had been taken by the Sabha in this regard.

**4. Accountability and Good Governance**  
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**Budgetary Control**  
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Variances ranging from Rs. 53,204 to Rs. 32,337,579 or from 0.01 per cent to 19 per cent between the budgeted revenue and actual revenue and from Rs. 01 to Rs. 13,488,922 or 0.12 per cent to 136 per cent between the budgeted expenditure and actual expenditure were observed.

**5. Systems and Controls**  
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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**  
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Accounting

**Deficiencies**  
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Failure to maintain register of measurement, register of tax on land sales and vehicle log book.