

**Vavuniya South Sinhala 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 2017 had been presented for audit on 21 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 21 August 2018.

**1.2 Qualified Opinion**

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

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The accounting policies adopted in preparation of financial statements had not been disclosed in the financial statements.

**1.3.2 Accounting Deficiencies**

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The following observations are made.

- (a) The value of 07 land and buildings of the Pradeshiya Sabha had not been assessed and brought to account under land and buildings.
- (b) The interest due on fixed deposits of Rs.2.5 million for the years 2015, 2016 and 2017 amounted to Rs.65,384, Rs.185,000 and Rs.185,000 respectively. As these had not been brought to account, the interest revenue and the interest revenue receivable had been understated by similar amounts.
- (c) According to the letter of confirmation of bank balances, the balances of 07 fixed deposits as at 31 December of the year under review aggregated Rs.7,477,450. However, it had been shown as Rs.7,509,145 in the financial statements resulting in an overstatement of Rs.31,695.

- (d) The arrears Rs.446,602 received during the year under review had been brought to account as revenue from court fines for the year under review. As such, the revenue from court fines for the year under review had been overstated by a similar amount.

### 1.3.3 Accounts Receivable

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The following observations are made.

- (a) The arrears of stamp fees recoverable as at 31 December of the year under review amounting to Rs.2,409,642 consisted of arrears ranging from 01 to 06 years amounting to Rs.1,909,642.
- (b) The arrears of other revenue of Rs.440,870 receivable as at 31 December of the year under review consisted of arrears ranging from 01 to 08 years amounting to Rs.357,920.
- (c) The arrears of stall rent of Rs.161,550 consisted of arrears over 05 years amounting to Rs.21,600 and arrears ranging from 02 to 03 years amounting to Rs.50,000.

### 1.3.4 Lack of Necessary Documentary evidence for Audit

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The following observations are made.

- (a) Detailed schedules showing the values of library books valued at Rs.1,014,810 had not been furnished for audit.
- (b) Documents confirming ownership of land and buildings amounting to Rs.91,176.811 had not been furnished for audit.

### 1.3.5 Non - Compliance

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#### Non-compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules, Regulations and Management Decisions etc.,	Value	Non - compliance
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	Rs.	
(a) Pradeshiya Saba Act No.15 of 1987 Section 126 (x)(b)	-	Licences had not been issued for mobile sellers within the area.

(b) 1988 Pradeshiya Sabha (Finance and Administration) Code of Rules

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- Rule 5 (7) - Adequate internal audit had not been carried out regarding financial and stores activities.
- Rule 65 - The revenue clerk had not prepared a list of defaulters of payments as at end of the stipulated period and furnished it to the Secretary.
- Rule 152 - A statement of monthly receipts had not been prepared in terms of P.S 6.
- Rule 155 - A main cash book had not been maintained in terms of P.S 10.
- Rule 159 - A monthly consolidated receipt analysis had not been maintained in terms of P.S 15.
- Rule 165 - The main ledger had not been updated.
- Rule 169 - Estimates ledger and details of work measurement book respectively had not been maintained in terms of P.SS 40 and 43 respectively.
- Rule 180 - Officers dealing with cash and stores and those dealing with collection of revenue should furnish deposits. However, such action had not been taken.
- Rule 193 - Statement under each revenue item and expenditure item by reconciling the budgeted financial provision and the supplementary estimates together with the statements containing explanations for excesses and savings should be prepared and furnished for audit before 31 December of each year. However this had not been done.

Rule 217			A register showing all land and buildings used/given on rent had not been maintained.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
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Financial Regulation 570	-		Action had not been taken to prepare a list of all lapsed deposits that should be furnished to the Auditor General at the end of each half year.
Financial Regulations 571(2) and (3)	508,838		Lapsed deposits should be credited to revenue or should be refunded as early as possible. However, action had not been taken regarding lapsed deposits.
(d) Treasury Circulars			
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(i) Circular.DMA/2009(2) of 01 September 2009 of the Department Management Audit	-		The internal audit officer should examine the adequacy of maintenance of reports relating to the assets of his institution. Such action had not been taken and as such it was revealed that registers etc., had not been maintained for fixed assets, computer softwares and accessories of the Sabha.
(ii) Circular DMA/2012/101 of 13 January 2012 of the Department Management Audit	-		Guidance and questionnaires have been introduced for carrying out internal audit activities within the computerized information system (CIS) in order to efficiently fulfil the internal audit activities. However, the internal audit officer had not acted in accordance with the said circular.
(e) Public Administration Circular			
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Paragraph 3.19 of the circular No. 293 of 03 June 1985	1,533,000		Distress loans had been granted to 25 officers in 2015, 2016 and the year under review without the special certificate required to be furnished for obtaining loans by officers not confirmed in service.

(f) Financial Regulation Code of the  
Northern Province

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Financial Regulation 101

- Copies of internal audit plan and the internal  
audit report for the year under review had not  
been furnished for audit.

## **2. Financial Review**

### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.4,296,770 as against the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.1,691,900.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	0	0	0	0	0	0	0	0
Rent	906,000	3,959,000	490,300	395,900	756,000	65,550	161,650	65,550
Licence Fees	1,000,000	132,209,950	132,209,950	5,242,042	700,000	1,093,600	1,093,600	1,093,600
Other Revenue	5,738,000	5,242,042	5,242,042	5,242,042	12,218,500	5,270,499	5,270,499	5,270,499
	=====	=====	=====	=====	=====	=====	=====	=====
	5,738,000	141,410,992	137,942,292	10,879,984	13,674,500	6,429,649	6,525,749	6,429,649
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### **2.2.2 Rent**

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The rent of stalls should be revised at least every 05 years by the Department of Valuation in terms of the circular No.1980/46 of 31 December 1980 of the Commissioner of Local Government. However, quotations had been called for, on the basis of assessments made over 07 years and 13 stalls had been given on rent accordingly.

### **2.2.3 Licence Fees**

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The following observations are made.

- (a) Action had not been taken to recover Rs.42,000 at the rate of Rs.3,000 per year as trade licence fees for 2 telecommunication towers established in the Pradeshiya Sabha area from 2006 and 2016.
- (b) The Sri Lanaka Telecom had installed a telecommunication tower at Mamaduwa belonging to the Pradeshiya Sabha on 20 June 2006. However, action had not been taken to recover the installation charges of Rs.210,000 recoverable in this regard.
- (c) The Sabha had not identified the business centres within its area from which environmental protection licences should be obtained.

### **2.2.4 Other Revenue**

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Fees had not been collected for many years due to lack of proper maintenance of 204 tube wells within the area of the Sabha.

### **2.2.5 Court Fines and Stamp Fees**

#### **(a) Court Fines**

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The court fines obtainable under various ordinances from the Magistrate's court as at December amounted to Rs.1,570,358.

#### **(b) Stamp Fees**

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The stamp fees receivable as at 31 December of the year under review amounted to Rs.2,409,642.

### **3. Operating Review**

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#### **3.1 Performance**

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##### **Solid Waste Material Management**

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It was observed that the Pradeshiya Sabha had not prepared a plan for collection of solid waste material, separation and recycling.

#### **3.2 Management Inefficiencies**

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The following matters were observed.

- (a) According to the vision statement of the Pradeshiya Sabha, action should be taken to provide the public of the area with full development and benefits. However, no development activities had taken place from 2012 to 2015 although the Sabha possessed adequate funds. The amount spent for development activities in 2016 and the year under review amounted to Rs,34,702 and Rs,391,672 respectively..
- (b) Action had not been taken so far to fill 04 vacancies in the post of drivers and 07 other posts which had fallen vacant since 2013.
- (c) Two finger print machines had been purchased on 30 Mau 2017 by spending Rs.24,800. Action had not been taken to install them at th Mamaduwa Library, Ayurveda centre and the Periya Ulukulama library even by 18 April 2018.
- (d) Revenue licences had not been obtained for 34 out of 35 vehicles in the vehicle fleet of the Sabha. Meanwhile, insurance coverage had not been obtained for 14 vehicles.

#### **3.3 Assets Management**

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##### **(a) Idle/Underutilized Assets.**

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The following observations are made.

- (i) Ten tractors that could be used remained idle..
- (ii) Three week end fairs had been established in 2013 by spending Rs.4,237,251. But, these had not been declared open for the public even by 31 March 2018.
- (iii) Although the Sabha possessed 30 vehicles and machinery only one driver had been engaged in the Sabha to attend to all of those vehicles and machinery.



**(b) Unattended Repairs and Maintenance**  
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The cultural centre of the Pradeshiya Sabha had not been adequately maintained. As such, the buildings and equipment were in a stage of destruction,

**(c) Annual Board of Survey**  
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The recommendations made by the 2016 board of survey with regard to 13 items of goods had not been implemented.

**3.5 Procurement**  
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The following observations are made.

- (a) According to paragraph 2.7.7 the Procurement Guidelines, the Pradeshiya Procurement Committee should consist of an officer who has the knowledge of procurement guidelines of another institution. However, contravening this requirement, all the officers of the committee had been appointed by the Pradeshiya Sabha.
- (b) According to paragraph 2.14.01 of the Procurement Guidelines, a technical evaluation committee should be appointed for obtaining goods and services exceeding Rs.500,000. However, technical evaluation committees had not been appointed for purchase of goods worth Rs.2,509,600 on 03 occasions.
- (c) The quantity required should be denoted in the letter calling for quotations. However, contravening this requirement, quotations had been called for, for one item of goods only while purchasing goods and equipment for Rs.5,749,380 on 16 occasions. As a result, the Sabha had been deprived of the commission that it could have obtained
- (d) There were no evidence to show that proper procedure had been followed to register procurement documents and documentary evidence to show that the bid documents had been referred to the suppliers, how the bid had been received and how it had been opened with regard to procurement of goods valued at Rs.5,749,380 on 16 occasions.

**3.6 Contract Administration**  
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**Tarring the Madukanda Cultural Centre Road**  
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The Madukanda Cultural Centre Road constructed by spending Rs.1,469,902 under the Provincial Specific Development Grant was subjected to verification on 17 April 2018. It was revealed that one side of the bottom which should have a width of 0.75 metres had been constructed between the range of 0.35 to 0.6 metres.

#### 4. **Accountability and Good Governance**

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##### **Unreplied Audit Queries**

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Replies had not been furnished even by 03 May 2018 for 2 audit queries of 2015 and 3 audit queries of 2016.

#### 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.

<b>System</b>	<b>Deficiency</b>
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(a) Accounting	Books of accounts and registers had not been updated and maintained.
(b) Assets	Idling
(c) Revenue Administration	Action not being taken for recovery of arrears of revenue.
(d) Control over Vehicles	Lack of drivers.
(e) Internal Control	(i) Lack of permanent machine operator (ii) Non-compliance with laws, rules, regulations etc.,