

# Valikamam Southwest Pradeshiya Sabha

## Jaffna District

### 1. Financial Statements

#### 1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 12 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman of the Sabha on 29 June 2020 and 30 August 2020 respectively.

#### 1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Valikamam Southwest Pradeshiya Sabhaas at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.3 Basis for Qualified Opinion

##### Accounting Deficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Understated the land and building amount shown in the financial statement. Due to 13 cemeteries has not been included in the financial statement.	Will adjusted this mater in the end of year 2020 final accounts.	Appropriate action should be taken to estimate the value of cemeteries and included in the financial statement.
(b) Understated the Motor vehicle and vehicles amount shown in the financial statement. Due to 13 vehicles has not been included in the financial statement.	Will include in the next year's final accounts.	Appropriate action should be taken to estimate the value of vehicles and included in the financial statement.

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| (c) Overstated the assets amount shown in the financial statement. Due to plant and machinery amount Rs. 10,830,080 and Furniture amount Rs. 6,436,106 has been disposed but asset has been included in the financial statement. | Action will take to adjust the final accounts in the current year. | Appropriate action should be taken by Sabha to remove the damaged items from assets and to show the correct value in the financial statements.               |
| (d) Overstated the assets amount shown in the financial statement. Due to library book amount Rs. 377,451 has been disposed but asset has been included in the financial statement   | Action will take to adjust the final accounts in the current year. | Appropriate action should be taken by Sabha to remove the damaged items from assets and to show the correct library books value in the financial statements. |

#### 1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Comments of the Accounting Officer	Recommendation
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(a) National Audit Act No. 19 of 2018	- Sub section 16(2) Annual performance report had not been presented along with the financial statements.	Will be presented with financial statements from the current year.	Appropriate action should be taken to present annual performance report with the financial statements in terms of Act.
(b) Pradeshiya Sabhas Act No. 15 of the year 1987	(i) Section 126(III) (f) No appropriate actions had been taken by the Sabha relevant unapproved advertisements.	Appropriate action will be taken in current year.	Appropriate action should be taken by the Sabha relevant unapproved advertisement in terms of Act.

(ii) Section 158(1)	Warrant had not been issued to the defaulters of arrears of assessment tax on property totaling Rs. 17,250,619.	Action has been taken to issue warrant.	Action should be taken by the Sabha relevant arrears of assessment tax on property in terms of Act.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) No.371(2)(b)	Advance of Rs. 1,246,860 paid relevant research report which has not been settled up to now.	Will be adjusted after received the report.	Appropriate action should be taken by the Sabha appropriate unsettled advance in terms of financial regulation.
(ii) No. 571	Deposit Rs. 254,520 has not been settled more than 2 years.	Action has been taken to adjustment.	Appropriate action should be taken relevant unsettled deposits in the due period in terms of financial regulation.
(d) Ministry of Public Administration and Management Circular			
- 02/2018 of 24 January 2018	A human resource plan for conducting capacity building programs has not been prepared and could not be ensured that the staff training for at least 12 hours per year.	Will be take action to train	Action should be taken relate supply of employees training in terms of Circular.
(d) Other Circular			
(i) Local Government circular No. 2018/e Local Government 01 dated 19.07.2018	Services receiving facilities had not been provided through the online for citizens.	Has been sent to Local Government for approval.	Appropriate action should be taken by the Sabha to provide the online service facilities for citizens in terms of Circular.
(ii) Circular No.161 of 1981.12.09	It was observed that value of Rs. 26,760 paid for raincoat for 18	Has been paid as per the section 3 of chapter XXI of	Appropriate action should be taken by the Sabha paid raincoat to the officers in

officers such as establishment the due period in terms of  
technical officers, code Circulars.  
revenue inspector,  
health supervisor,  
driver, machine  
operator, water pump  
operator, electrician,  
office assistant.

#### 1.4.2 Noncompliance with Tax Requirements

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Audit Observation	Comment of the Accounting Officer	Recommendation
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In terms of Section 154 of Pradeshiya Sabhas Act No. 15 of the year 1987, sales tax equivalent to 1% should be recovered on sales of certain lands. However, no action had been taken by the Sabha to recover them.	Action has been taken to recover the sales tax for the land sales through agents and brokers.	Appropriate action should be taken by the Sabha to recover the sales tax in terms of Act.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs. 27,938,834 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 75,228,272.

### 2.2 Revenue Administration

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

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

Source of Revenue	2019			2018		
	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	7,855,600	7,901,070	17,725,212	7,859,600	8,052,7726	14,549,915
Rentals	11,780,161	17,886,020	280,508	10,233,300	11,928,676	279,758
License Fees	3,193,450	3,551,475	7,500	2,930,700	3,476,268	28,500
Other Revenue	120,085,466	81,775,298	9,404,690	116,186,200	124,153,988	49,990,569
	<b>142,914,677</b>	<b>111,113,863</b>	<b>27,417,910</b>	<b>137,209,800</b>	<b>147,611,658</b>	<b>64,848,742</b>

### 2.2.2 Performance in Collection of Revenue

Audit Observation	Comment of the Accounting Officer	Recommendation
When comparing with 2018 performance in collection of revenue Rs. 36,497,795 observed the decrease in 2019 due to 2018 collection of revenue Rs. 147,611,658 and 2019 collection of revenue decreased Rs. 111,113,863.	Performance in collection of revenue has been decreased to calculate next year's revenue of stamp duties and court fine.	Appropriate action should be taken to increase the performance in collection of revenue.

### 2.2.3 Rates and Taxes

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) No actions had been taken to recover arrears of rates and taxes Rs.17, 250,619.	Action is being taken to recover.	Appropriate action should be taken by the Sabha to recover the arrears of rates and taxes in the due period.
(b) No actions had been taken to recover arrears of water service chargers Rs. 73,090.	Action is being taken to recover.	Appropriate action should be taken by the Sabha to recover the arrears of water service chargers in the due period

#### 2.2.4 Rentals

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
No appropriate action had been taken by the Sabha to recover arrears lease Rs. 275,508.	Appropriate action will be taken as per the court judgment.	Appropriate action should be taken by the Sabha to recover the arrears of lease in the due period

#### 2.2.5 Court Fines

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Court fines totaling Rs. 9,283,780 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Has been instructed by the Deputy Chief Secretary's for request in 2020.	Appropriate action should be taken by the Sabha to recover the arrears of court fine in the due period

### 3. Operating Review

#### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

##### (a) Action Plan

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
An annual action plan had not been prepared in respect of 30 activities to be implemented by the Sabha as per by-laws enacted.	Has been prepared in 2020.	Appropriate action should be taken by the Sabha to prepare the action plan as per the by-law.

**(b) Failure to achieve expected Outcomes**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
Expected output had been achieved through spending a sum of Rs. 880,625 for the construction of weekly market. However, market had not been utilized for 04 years, thus expected outcome could not be achieved.	The building will use for alternative purpose.	Appropriate action should be taken by the Sabha to achieve the expected outcomes through the construction of marker building in the due period.

**(c) Abandoned Activities**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
A sum of Rs. 17,703,828 had been spent to start performance of activities such as solid waste disposal and construction of kakkaitivu slaughter, Annaicoddai children parks. However, those activities had been abandoned by 31 December 2019 without being obtained expected outcomes.	Thought that kakkaitivu center was not suitable and proceeded even after will utilized acquired the solid waste disposal land from the forces and completed the children's park will utilized	Appropriate action should be taken by the Sabha to precede the projects through the capital projects and to utilize the assets.

**(d) Solid Waste Management**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
The daily collection of garbage had not been cut in to pieces and covered with soil in the area of dumping garbage. Solid wastes were collected without being segregated.	Has been acquired the government land and being proceeding action.	Appropriate action should be taken by the Sabha to collect the solid in wastes efficiently as per the solid waste management.

(e) **Environmental Issues**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
No action had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes.	Appropriate action has been taken in the year 2020.	Appropriate action should be taken by the Sabha in efficiently as per the Solid Waste Management.

**3.2 Management Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
(a) Until now sabha has not taken any action about the grants Rs. 270,000 given to Community Centre in 2018 and 2019.	Action is being taken handed over to the Community Centre.	Action should be taken to use the grant proper system.
(b) Without proceed the development projects from the fixed deposits Rs. 145,315,980 has been deposited to Bank.	Action will be taken to proceed the development works.	Appropriate action should be taken by the Sabha to proceed the development Project through Sabha's fund.
(c) Reassessment has not been carried out for the assessment tax on property owned by the Pradeshiya Sabha for over the last 12 to 40 years.	The action is being taken to reassessment for properties.	Action should be taken to reassessment of properties in the due period by the Sabha.
(d) The pradeshiya sabha's important works could not be completed due to has not prepared the Local Government Assistant report in the due period.	Taking action to prepare the reports and submit.	Appropriate action should be taken by the Sabha to submit the reports.
(e) A citizen charter of the general public had been displayed. However, contrary to matters mention therein, services provided to general public had been delayed.	Action is being taken to prepare the Public service list.	Appropriate action should be taken by the Sabha to provide the service to general public in the due period.



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| (f) | The permission has not been granted in due period for 194 building construction applications in the year 2019.   | Action should be taken to grant permission rapidly to building construction permission | Action should be taken by the Sabha to grant permission to all application in the due period.        |
| (g) | According to the Section 8.6 of Public Library by –Law, fine should be paid by the member borrowed a book and being kept for more than the given period the fine has not been collected. | Should have been taken action to collect the delay payment and fine.                   | Appropriate action should be taken to collect the fine according to library by-law.                  |
| (h) | It has not been submitted the report about the miscounted by the officer for Rs. 92,963 who was collected the assessment tax.  | Will submit for audit after the inquiry and received the report.                       | Should have to submit the report by bring the inquiry to end in the due period about the miscounted. |

### 3.3 Human Resources Management

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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(a) It has been observed due to Sabha has not received the human resources and utilized in proper way11 services which has to not been completed by human resources.	The permission has required to fill the vacancies.	Appropriate action should be taken by sabha to fill the vacancies in the due period.
(b) It was observed that 02 officers had not been paid arrears of distress loan Rs. 265,292.	Action will be taken after inquiry report receives.	Appropriate action should be taken by the Sabha to adjust the arrears of distress loan in the due period.

### 3.4 Operating Inefficiencies

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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(a) K” Form had not been distributed to the 23,115 properties owners in the year 2019.	Action will be taken to distribute the K form in the year 2020.	Appropriate action should be taken to distribute “K” form as per the Act.

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| (b) | Lease of Rs. 275,508 for kakkaitivu market complex which was given on the basis of lease in the year 2013 had not been recovered and a Case was being held in this regard. However, this matter had not been disclosed in the financial statements. | It should shown as expenses of relevant months | Contingent liability should be disclosed relevant expected liability in the financial statement  |
| (c) | A court case has been filed in relevant Kalundan Solid waste Collection center. However, This matter had not been disclosed in the financial statement.   | It should shown as expenses of relevant months | Contingent liability should be disclosed relevant expected liability in the financial statement. |

### 3.5 Assets Management

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#### 3.5.1 Assets not acquired

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Even though, A pickup were being used by the Chairman of the Sabha and had not been handed over to the Secretary of the Sabha. No meaningful actions had been taken by the Sabha to obtain this vehicle for the last 15 years.	Action will be taken after appointed a research committee and know the condition of the vehicle now.	Appropriate action should be taken by the Sabha to re receive the vehicles in the due period.
(b) No action has been taken to transfer the ownership of the 12 property Rs. 13,775,306 to the Sabha up to now.	Action is being taken transfer the ownership to the Sabha.	Action should be taken to transfer the ownership to the Sabha in the due period.

#### 3.5.2 Idle Assets

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
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When the field inspection, there were two bowser vehicles was remained idle.	Action is being taken to transfer a one vehicle and other one to be sold in the auction.	Appropriate action should be taken by the Sabha for relevant idle assets.

### **3.6 Uneconomic Transaction**

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
----- It was observed that refreshment expenditure of Rs. 98,083 spent for whom was visited the land for swimming pool identify as uneconomic transaction.	----- Action has been taken to spend economically in the future.	----- Appropriate action should be taken by the Sabha to spend economically.

## **4 Accountability and Good Governance**

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### **4.1 Budgetary Control**

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
----- It was observed that this budget was inefficient budget due to grate differences between budgetary expenditure and actual expenditure for the recurrent expenditures.	----- Action has been taken to prepare efficient budget in future.	----- Appropriate action should be taken by the Sabha to efficiently plan the Budget.