

Nallur Pradeshiya Sabha

Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 04 March 2014 and the financial statements for the preceding year had been presented on 28 February 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 December 2014.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters referred to in paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Nallur Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

(a) The accounting deficiencies observed in the financial statements are shown in the following table as revenue, assets and liabilities.

Effect on Financial Statements	Revenue		Assets		Liabilities	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Overstatements	01	11,795	02	27,216,973	02	25,754,931
Understatements	-	-	02	132,098	-	-

- (b) The value of 2 vehicles obtained as gift from the Ministry of Local Government in 2009 had not been assessed. As such, the values of motor vehicles had been understated in the accounts.

1.3.2 Lack of Evidence for Audit

Transactions valued at Rs.57,672,920 could not be vouched in audit due to lack of necessary evidence for audit.

1.3.3 Non-compliance

The following instances of non compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations	Non-compliance
-----	-----

Pradeshiya Sabha Act No. 15 of 1987	

Chapter V Section 132	Prior approval of the minister is required for expenditure exceeding Rs.1,000 with reference to entertainment. However, an expenditure of Rs.5,964 had been incurred during the year under review without the approval of the minister.
-----------------------	---

Chapter V Section 158(1)	The Secretary had not taken action to recover arrears of assessment tax amounting to Rs.5,936,558.
--------------------------	--

Chapter V Section 140	The Secretary had not taken action with regard to unsettled advances of Rs.8,222,926.
-----------------------	---

Chapter XIV Section 140	The Chairman had hired vehicles for 5 days incurring an expenditure of Rs.24,796 from the funds of the Sabha contravening the regulation.
-------------------------	---

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year under review was Rs.218,207 as against the

recurrent expenditure exceeding the revenue of the preceding year amounting to Rs.7,990,541.

2.2 Financial Control

It was observed in audit that there was a difference of Rs.31,411,023 between the budgeted and actual revenue and a difference of Rs.15,260,579 between the budgeted and actual expenditure due to lack of proper preparation of budget.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
-----	-----	-----	-----
	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	2,789	2,662	5,937
(ii) Lease Rent	26,625	28,149	-
(iii) Licence Fees	2,580	3,648	3
(iv) Other Revenue	97,506	63,629	118,237

2.3.2 Revenue Collection

An effective and legal action had not been taken to recover the arrears of Rs.7,812,231 during the year under review and the previous years.

2.3.3 Court Fines

The arrears of fines due from the Courts as at end of the year under review amounting to Rs.3,000 had been accounted for, as revenue and receivables. This had not been received upto end of the year under review.

2.3.4 Stamp Fees

Effective action had not been taken to obtain the sum of Rs.122,385,282 accounted for, as stamp fees for 2006, 2010, 2011, 2012 and 2013.

2.4 Assets Management

2.4.1 Idle Physical Assets

The Kurundanpulam land purchased for Rs.5,354,000 in 2011 remained idle for 2 years.

2.4.2 Annual Board of Survey

The annual board of survey revealed a surplus of 13 items of stock

2.5 Contract Administration

2.5.1 Abandonment of Projects

Three road projects for which a sum of Rs.928,080 had been allocated in the budget for the year under review had been abandoned without completion.

2.5.2 Projects not Executed

A sum of Rs.24,187,831 being the values of 23 projects proposed to be executed during the year under review from the funds of the Sabha had been entered in the Sundry Debtors Account, without being executed during the year under review.

2.6 Management Inefficiencies

Fixed deposits amounting to Rs.22.2 million had been withdrawn to meet expenditure of the year under review. Further, the balance of a current account in the bank account was Rs.8.9 million whereas the sundry debtors amounted to Rs.25.7 million. As such, there is a possibility to withdraw further amounts from fixed deposits and this shows the inefficiency of the management.

3. Systems and Controls

Special attention is needed in the following areas of control.

- (a) Revenue collection
- (b) Budget
- (c) Advances
- (d) Sundry debtors
- (e) Vehicles
- (f) Sundry deposits