

## **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 30 March 2012 and the financial statements for the preceding year had been presented on 05 April 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 12 May 2012.

##### **1.2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Nallur Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report forwarded to the Chairman, 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 2011 and the financial results of its operations and cash flows for the year then ended.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

Assets had been understated in the financial statements by Rs. 43,197,733

###### **1.3.2 Lack of Evidence for Audit**

###### **Non-submission of Information to Audit**

(a) Transactions totaling Rs. 5,768,614 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

(b) A separate file had not been maintained by the Assessment Clerk for maintaining distress warrants and list of defaulters, the Distrainging

Officer's schedules of payments, list of property advertised and sold for default and any special instructions to the Distraining Officer according to Section 39 of Pradeshiya Sabha (Financial and Administrative Rules) of 1988. Therefore the commission charges issued to the Distraining Officers amounting to Rs. 305,960 could not be satisfactorily vouched and accepted in audit

### **1.3.3 Non-compliances**

Non-compliances with the provisions in the following Laws, Rules, Regulations and Management Decisions were observed during the course of audit.

<b><u>Reference to Laws, Rules, Regulations and Management Decisions,</u></b>	<b><u>Non-compliance</u></b>
<b>(a) <u>Pradeshiya Sabha Act No. 15 of 1987.</u></b> Section – 132(J)	Expenditure on religious and common works should not be incurred in excess of Rs. 1,000 per year without the prior approval of the Minister in charge of the subject. Contrary to this a sum of Rs. 453,658 had been paid for refreshment without getting the approval of the Minister
<b>(b) <u>Pradeshiya Sabha (Financial and Administrative) Rules of 1988</u></b>	
(i) Chapter I Section 05 Sub Section XII	Adequate security had not been obtained from the officers responsible for dealing with cash and stores.
(ii) Chapter III Section 65	On the expiration of the period allowed for payment, the revenue clerk had not prepared a list of defaulters and submitted it to the Secretary.
(iii) Chapter III Section 66	The Secretary had not taken action in terms of Section 150(4) of Pradesiya Sabha Act No. 15 of 1987 to recover the arrears of tax due amounting to Rs. 5,611,399.
(iv) Chapter V Section 140	Failure to pay advances amounting to Rs.

2,021,060 at the due date had not been brought to the notice of the Chairman through the Secretary.

(c) **Establishments Code.**

(i) Chapter X Section 9.2

The holiday pay for Revenue Supervisor and Revenue Inspector had been divided by 20 days contrary to this rule and a sum of Rs. 15,162 had been over paid during the year.

(ii) Chapter XIV Section 3

A sum of Rs. 3,030 had been over paid as travelling charges to the officers travelled to Colombo by luxury buses in contrary to this rule.

**2. Financial and Operating Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.3,839,804 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 61,954,464 for the preceding year.

**2.2 Financial Control**

The following observations are made.

- (a) The payables amounting to Rs. 5,192,891 in the Sundry Creditors account had not been paid up to the date of this report.
- (b) The operational development grant amounting to Rs. 113,743 had been kept in the miscellaneous deposits account, without being utilized.
- (c) A sum Rs. 2,658,051 had been kept in the miscellaneous deposits account without being paid to the relevant parties and Department of Inland Revenue.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is given below

<u>Item of Revenue</u>	<u>2011</u>		<u>Cumulative</u>
	<u>Estimated</u>	<u>Actual</u>	<u>Arrears as at</u>
	<i>Rs. 000'</i>	<i>Rs.000'</i>	<i>Rs 000'</i>
Rates and Taxes	5,070	2,625	5,611
Lease Rent	31,061	28,009	1,364
Licence Fees	1,040	1,685	28
Other Revenue	54,894	42,575	9,761
	<b>92,065</b>	<b>74,894</b>	<b>16,764</b>

### 2.3.2 Court Fines and Stamp Fees.

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities had been as follows.

	Rs.
i. Court fines	1,112,950
ii. Stamp fees	2,894,342

### 2.3.3 Revenue Debtors.

Action had not been taken to recover the taxes, rent, trade licence fees and other revenue amounting to Rs.11,010,570 as at 31 December 2011 in respect of the year under review and previous years in terms of Pradeshiya Sabha Act No.15 of 1987 and Pradeshiya Sabha (Financial and Administrative) Rules of 1988.

## 2.4 Idle and Underutilized Physical Resources.

The following observations are made at audit test checks.

- (a) One Land Master valued at Rs.275,000 was lying idle or underutilized for over 4 years.

- (b) Three Lands valued at Rs. 30,430,200 purchased during the year had been lying idle and underutilized.

## **2.5 Uneconomic Transactions**

The following observations are made.

- (a) Overtime and holiday pay can be paid only for specific work which is urgent and totally outside the normal duties and cannot be completed within office hours. Contrary to this requirement, Sabha had paid overtime and holiday pay amounting to Rs 53,610.
- (b) A sum of Rs. 15,900 had been paid for providing food to the officers who participated in the meetings, and the audit is in view the concept of economy had not been considered on the above matter.

## **2.6 Operating Inefficiencies.**

The following observations are made

- (a) Action had not been taken to recover the unsettled staff loan balances amounting to of Rs. 47,132 over a period of 05 years.
- (b) Ayurvedic drugs to the value of Rs. 69,070 had been purchased from a private institution which is not registered in the Department of Ayurveda

## **2.7 Activities Extraneous to Objectives**

The following observations are made

- (a) A sum of Rs. 10,000 had been paid to the Sri Lanka Transport Board for transporting people to Thuraiyappa Stadium for Pongal Festival.
- (b) Refreshment expenditure amounting to Rs.453,658 had been paid from the Sabha fund without the authority obtained from the Commissioner of Local Government.

## **2.8 Transactions of a Contentious Nature**

The following observations are made

- (a) Board of disposal allowance amounting to Rs. 2,500 had been paid to Board of Disposal Committee members for the year 2010 contrary to the Northern Provincial Treasury Circular No. PT/01/2009 dated 28 January 2009
- (b) Even though the Secretary was in Colombo on duty from 06 January 2011 to 09 January 2011 according to the running charts. the decision on the quotation for removing the garbage had been signed by the Secretary on 07.01.2011 and a sum of Rs. 4,500 had been paid as garbage removing charges.

## **2.9 Performance.**

Sabha had not prepared an annual action plan at the beginning of the financial year. Therefore, the expected objectives to achieve and the progress thereon could not be ascertained.

## **3 Systems and Controls.**

Special attention is needed in respect of the following areas of systems and controls.

- (a) Revenue Collection
- (b) Fixed Assets
- (c) Accounting
- (d) Human Resources
- (e) Grants and Donations
- (f) Vehicle Utilization
- (g) Miscellaneous Deposits
- (h) Budgetary Control.