

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 for audit on 05 April 2011 and the financial statements of the preceding year had been presented for audit on 30 March 2010.

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 2010 and except for the effect on the financial statements of the matters referred in paragraph 1.3 of this report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give true and fair view of the state of affairs of the Nallur Pradeshiya Sabha as at 31 December 2010 and the financial results of its operations and cash flow for the year then ended.

1.3 Comments on the Financial Statements

1.3.1 Accounting Policies

Accounting policies adopted for the preparation of financial statements had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

The accounting deficiencies observed in the accounts in terms of expenditure and assets under the number of instances and values are given in the following table.

	<u>Expenditure</u>		<u>Assets</u>	
	<u>Number of Instances</u>	<u>Value Rs.</u>	<u>Number of Instances</u>	<u>Value Rs.</u>
Overstatement in the Accounts	01	625	-	-
Understatement in the Accounts	-	-	01	10,911,793
Omissions in the Accounts	-	-	01	686,640

1.3.3 Accounts Payable

The value of balances of accounts payable older than 1 year as at 31 December 2010 amounted to Rs. 2,099,951.

1.3.4 Lack of Evidence for Audit

Non-submission of Information for Audit

Transactions valued at Rs. 84,571,721 could not be satisfactorily vouched in audit due to the unavailability of information required for audit.

1.3.5 Non-compliances

Non-compliances with the provision in the following laws, rules, regulations and management decisions were observed during the course of audit.

<u>Reference to Laws, Rules and Regulations and Management Decisions.</u>	<u>Non-compliance</u>
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(a) **Pradeshiva Sabha (Financial and Administrative) Rules of 1988**

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| (i) <u>Chapter I Section Sub Section XII</u>
Rule 5 | Adequate security had not been obtained from the officers who are assigned responsible for dealing with collection of cash and stores. |
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(b) Inland Revenue Department
Circular on retainment of
Value Added Tax dated 03
March 2007.

A sum of Rs.12,415 collected as value added tax during the year under review had not been remitted to the Commissioner General of Inland Revenue.

Inland Revenue Act, No. 10 of 2006
Section 153.

Withholding Tax of Rs.779,531 had not been recovered and remitted to the Commissioner General of Inland Revenue.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented the excess revenue of over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.61,954,464 as compared with the excess of revenue over the recurrent expenditure for the preceding year amounting to Rs.34,464,527.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year as presented by the Chairman is given below.

<u>Item of Revenue</u>	<u>2010</u>			<u>2009</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>	<u>Estimated</u>	<u>Actual</u>	<u>Accumulated Arrears as at 31 December</u>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
	<i>000</i>	<i>000</i>	<i>000</i>	<i>000</i>	<i>000</i>	<i>000</i>
Rates and Taxes	3,045	2,703	5,976	3,015	2,600	8,953
Lease Rent	32,170	45,757	1,004	9,872	14,311	405
License Fees	835	1,189	12	835	843	-
Other Revenue	51,722	47,232	19,531	46,891	48,166	-

2.2.2 Courts Fines

Action had not been taken to recover Courts fines amounting to Rs. 1,810,700 collected up to 31 December 2010 by Jaffna Magistrate's Court under various Ordinances and remitted to Chief Secretary.

2.2.3 Stamp Fees

Action had not been taken to recover the stamp fees for the year 2010 from the Registrar General.

2.2.4 Revenue Debtors.

Action had not been taken in terms of Pradeshiya Sabha Act, No.15 of 1987 and Pradeshiya Sabha (Financial and Administrative) Rules of 1988 to recover the taxes, rent, trades license fees and other revenue amounting of Rs.33,333,097 in respect of the year under review and previous years as at 31 December 2010.

2.3 Expenditure Structure

The budgeted and actual expenditure of the Sabha for the year under review and the preceding year together with the variances are given below.

<u>Item of Expenditure</u>	<u>2010</u>			<u>2009</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>	<i>Rs.</i> <i>000</i>
<u>Recurrent Expenditure</u>						
Personal						
Emoluments	34,921	28,080	6,841	31,003	26,044	4,959
Other	8,411	6,846	1,565	6,555	5,412	1,143
Sub-total	43,332	34,926	8,406	37,558	31,456	6,102
Capital Expenditure	53,935	47,024	6,911	27,250	20,930	6,320
Grand Total	97,267	81,950	15,317	64,808	52,386	12,422

2.4 Human Resources Management

Approved and Actual Cadre

Particulars of the approved and actual cadre of the Sabha as at 31 December 2010 are given below.

<u>Category of posts</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	05	04
Secondary Grade	37	35
Primary Grade	48	46
Others	-	11
Total	90	96

2.5 Assets Management

2.5.1 Idle and Underutilized Physical Resources.

It was observed at test checks that one Land Master Tractor valued at Rs.275,000 was lying idle for over 3 years.

2.5.2 Accounts Receivable

The balances of accounts receivable as at 31 December 2010 amounted to Rs.28,087,118 while balances of accounts older than 01 year amounted to Rs. 283,712

2.5.3 Staff Loans Recoverable

Staff loan balances recoverable as at 31 December 2010 totalled Rs.8,451,511 while balances remaining outstanding for over a period of 01 year amounted to Rs. 1,679,528

2.5.4 Non-moving Current Assets

The value non-moving current assets remaining over a period exceeding 01 year as at 31 December 2010 are amounted to Rs.535,322

2.5.5 Assets not Surveyed

The value of assets not supported by Board of Survey and computed at the book values as at 31 December 2010 amounted to Rs.99,402,916.

2.6 Transaction not Supported by Adequate Authority.

A sum of Rs.2,750 had been paid as hotel charges of NELSIP officers.

2.7 Operating Inefficiencies.

The following observation are made

(a) Purchase of Private Land

Sabha had published an advertisement in a newspaper for purchase of a land in the year 2002 and at the time the actual value of that Land amounting to

Rs.200,000. But, Sabha purchased the above land for a sum of Rs.12,035,896 during the year under review. As a result the Sabha had incurred a loss of Rs.10,035,896 due to delay in taking the decision.

- (b) A sum of Rs.2,300 had been paid to an officer as hotel charge in additions to combined allowance paid to him.

2.8 Performance.

Sabha had not prepared an Annual Action Plan at the beginning of the years of accounts. Therefore the expected objectives to achieved and the progress thereon could not be ascertained.

2.9 Contract Administration.

(a) Completely abandoned Projects.

The Decentralized Budget Project of Reconstruction of Building at Kampan Community Centre estimated at of Rs.50,000 was completely abandoned due to a dispute over this land.

2.10 Internal Audit

An adequate internal audit of the Sabha had not been carried out.

3 Systems and controls.

Special attention is drawn to the following arrears of systems and controls.

- (a) Budgetary Control
- (b) Revenue Administration
- (c) Assets Management