

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 02 February 2013 and the financial statements for the preceding year had been presented on 20 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 10 September 2013.

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 2012 and except for the effects on the financial statements of the matters referred to in 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 2012 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

The accounting deficiencies observed in the financial statements in respect of expenditure and revenue are shown in the following table.

Effect on the Financial Statements	Expenditure		Revenue	
	No. of Instances	Value Rs.	No. of Instances	Value Rs.
Overstatements	02	67,445	01	1,057,888
Erroneous Classifications	01	61,900	-	-

1.3.2. Unreconciled Control Accounts

According to the control accounts the total of the balances of accounts amounted to Rs.1,863,234, while the total of the balances of these accounts according to the subsidiary registers amounted to Rs. 1,750,271.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs. 128,400,526 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

1.3.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions,

Non-compliance

(a) Pradeshiya Sabha Act No. 15 of 1987.

(i) Section – 132of Chapter V

Expenditure on entertainment should not exceed Rs.1,000 per year without the prior approval of the Minister in charge of the subject. Contrary to this requirement a sum of Rs. 41,956 had been paid for refreshments, without obtaining the approval of the Minister.

(ii) Section – 158(1) of Chapter V

The Secretary had not signed and submitted warrant notices to the officers to collect the arrears in rates amounting to Rs. 5,696,529.

(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988

Section 14 of Chapter II

Resolution had not been executed in time for expenditure exceeding the provisions under the Vote.

(ii) Section 65 of Chapter III

Revenue clerk had not prepared a list of defaulters of trade licence amounting to Rs.21,950 and submitted it to the Secretary on the expiration of the period allowed for payment.

(iii) Section 76 of Chapter III

Revenue Clerk had not taken action to inform the Secretary and Chairman the delay in payment of rent due amounting to Rs. 1,438,174.

(iv) Section 81 of Chapter III

Action had not been taken by the Sabha in respect stamp fees relating to land transactions and court fines in each quarter.

(v) Section 140 of Chapter V

Failure to pay advances amounting to Rs.3,643,940 at the due date had not been brought to the notice of the Chairman through the Secretary.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R 396

Follow up action had not been taken on unrealized cheques amounting to Rs. 15,800 over a period of 06 months.

(d) Section 9.2 of Chapter X of the Establishments Code of the Democratic Socialist Republic of Sri Lanka

Holiday pay amounting to Rs.4,962 had been over paid to the Revenue Supervisor due to incorrect computation.

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 2012 amounted to Rs.7,990,541 as compared with the excess of revenue over recurrent expenditure amounting to Rs.42,174,047 for the preceding year.

2.2 Financial Control

The budget had not been properly prepared and as such a difference of Rs. 5,985,199 between the actual revenue and the budgeted revenue and a difference of Rs. 9,845,579 between the budgeted expenditure and the actual expenditure were observed in audit.

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.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December 2012
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	Rs. 000'	Rs. 000'	Rs 000'
Rates and Taxes	2,777	2,660	5,697
Lease Rent	21,913	24,515	1,438
Licence Fees	1,273	1,853	22
Other Revenue	61,787	52,736	69,185

2.3.2 Revenue Loss

Although the supply of electricity works had been handed over to the Ceylon Electricity Board from 1999, a sum of Rs. 1,441,025 paid for the maintenance of street lamps within the area of the Sabha had not been reimbursed by the Ceylon Electricity Board due to agreement had not been entered in to with the Ceylon Electricity Board in respect of the maintenance of street lamps.

2.3.3 Court Fines

Court fines due from Magistrate Courts for the year under review amounting to Rs.771,217 had not been recovered up to the date of this report.

2.3.4 Stamp Fees

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- (a). Action had not been taken to recover the stamp fees of Rs. 60,077,269 due for years 2006, 2010 and 2011 from the Registrar General.

 - (b) Stamp fees receivable amounting to Rs.57,182,927 for years 2010 and 2011 had been transferred to the Capital Reserve Fund through Journal Entry No.JF/2012/09 without being adjusted to the previous years Accumulated Fund.

 - (c). A list of stamp fees due for the year 2012 had not been obtained from the Registrar General of Lands and brought to account.

2.4 Assets Management

2.4.1 Idle and Underutilized Physical Resources

It was observed that three lands valued at Rs. 30,430,200 purchased during the year 2011 by the Sabha had not been utilized up to the date of this report. Details are given below.

Name of Land	Value
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	Rs.
Kurunthapulam land	5,354,000
Kanthai Kaddian land	18,252,200
Salli Kandawathtai land	6,824,000

	30,430,200
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2.4.2 Annual Board of Survey Report

According to the Annual Board of Survey Report, excess of 66 items and shortage of 29 items had been observed. Further action had not been taken on 62 items reported by the Board of Survey as damaged items.

2.5 Uneconomic Transactions

Routine work had not been properly planned and implemented and as a result a sum of Rs.38,510 had been paid to the officers of the Sabha as holiday pay during the year under review contrary to Section 3.2 of Chapter VII of the Establishment Code for the preparation of final accounts.

2.6 Activities Extraneous to Objectives

A sum of Rs. 613,620 had been paid for purchase of sports items and expenditure for the Reading Month Events during the year under review and this considered as the activities carried out contrary to objectives.

2.7 Contract Administration

2.7.1 Delay in Implementation of Projects.

A sum of Rs. 10,958,000 allocated for 15 capital projects during the year under review had not been utilized for the intended purposes and a sum of Rs. 5,905,903 had been transferred to the sundry creditors account to implement the said works in future periods.

2.7.2 Completely Abandoned Projects

Budgeted road works to the value of Rs.1,550,000 to be implemented during the year under review had been completely abandoned.

2.8 Operating Inefficiencies

The following observations are made.

- (a). Sundry creditors amounting to Rs.5,321,724 accounted as payable for 16 items during the year 2011 - 2012, had not been paid up to the date of this report.

- (b). A sum of Rs.296,302 relating to the Security deposits and unpaid salaries relating to the period 2009- 2012 had been retained in the deposits account without being paid to the respective officers.

3. Systems and Controls

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

- i. Revenue Collection
- ii. Fixed Assets
- iii. Accounting
- iv. Human Resources Management.
- v. Donations
- vi. Miscellaneous Deposits
- vii. Budgetary Control
- viii. Stores Items.