

**Nallur Pradeshiya Sabha  
Jaffna District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been submitted to audit on 24 March 2016 and the financial statements for the preceding year had been submitted to audit on 28 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 27 September 2016.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Nallur Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Non-compliances with Laws, Rules and Regulations**

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The following instances of non-compliance were observed.

| <b>Reference to Laws, Rules and Financial Regulations</b>  | <b>Non-compliances</b>   |
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| -----  | -----  |
| <b>(a) Pradeshiya Sabhas Act No. 15 of the year 1987</b><br>Section 24 of Chapter III                              | Schedules of roads and lanes belonging to the Sabha had not been published in the Government Gazette.            |
| <b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b><br>Financial Regulation 381 (3) | Security money had not been paid by the officer who was granted authority to place the signature in the cheques. |
| <b>(c) Public Administration Circular</b><br>Circular No. 14/99 dated 11 June 1999                                 | A declaration on honour by the applicant had not been attached by the officers who obtained employees loan.      |

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2015 had resulted in an excess of income over recurrent expenditure of Rs. 64,903,029 as compared with the corresponding excess of income over recurrent expenditure of Rs. 46,285,714 for the preceding year. Increase of income was the reason attributed for this improvement in the financial results by Rs. 18,617,315.

### 2.2 Working Capital

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 264,111,088 as compared with the corresponding working capital of Rs. 234,885,808 for the preceding year, thus indicating an improvement in the working capital by Rs. 29,225,280 for the year under review.

### 2.3 Revenue Management

#### 2.3.1 Performance of Revenue Collection

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Secretary are given below.

| Item of Revenue | Estimated      | 2015           |  |
|-----------------|----------------|----------------|--|
|                 |                | Actual         | Accumulated Arrears<br>as at 31 December |
|                 | Rs. '000       | Rs. '000       | Rs. '000                                 |
| Rates and Taxes | 2,800          | 2,600          | 6,771                                    |
| Lease Rents     | 27,657         | 20,992         | -  |
| License Fees    | 2,362          | 5,162          | -  |
| Other Revenue   | 93,962         | 102,274        | 165,310                                  |
| <b>Total</b>    | <b>126,781</b> | <b>131,028</b> | <b>172,081</b>                           |

#### 2.3.2 Rates and Taxes

Action had not been taken by the Secretary to recover arrears of rates and taxes of Rs. 6,770,878 and reassessment of properties under the purview of the Sabha had not been made by the Valuation Department.

#### 2.3.3 Leases and Rents

(a) Action had not been taken to recover arrears of lease of Rs. 146,916.

(b) Arrears of rent of Rs. 974,123 had not been recovered by the Sabha.

#### **2.3.4 Stamp fees**

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Stamp fees valued at Rs. 156,080,506 had not been recovered from the Registrar General of Lands during the year under review.

### **3. Operating Review**

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#### **3.1 Contract Administration**

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Five works allocated in the budget for the year 2015 had been completely abandoned without being carried out.

### **4. Accountability and Good Governance**

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#### **4.1 Budgetary Control**

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The budget estimate had not been prepared properly. As such, variances ranging from Rs. 199,349 to Rs. 4,109,078 between the budgeted expenditure and actual expenditure were observed.

#### **4.2 Internal Audit**

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Internal audit activities had not been carried out satisfactorily.

#### **4.3 Audit and Management Committee Meeting**

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Audit and Management Committee meetings had not been held in the Sabha.

#### **4.4 Asset Management**

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##### **Idle Assets**

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A purchased land had remained idle for two years.

### **5. Systems and Controls**

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Special attention is needed in respect of the following areas.

- (a) Rent Register
- (b) Contract Register
- (c) Cheque Register
- (d) Vehicle Running Charts