

**Nanattan Pradeshiya Sabha
Mannar District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been submitted to audit on 30 March 2016 and the financial statements for the preceding year had been submitted on 31 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 24 January 2017.

1.2 Qualified Opinion

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 Nanattan Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

The financial statements had not been prepared in compliance with the Public Sector Accounting Standards in terms of circular No. PL/05/PA/SFPSAS dated 27 January 2014 of the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Even though audit fee Rs. 40,000 had been provided during the year under review, it had been erroneously included in the loan interest account without being brought to sundry creditors account.
- (b) 03 capital expenditure items aggregating to Rs. 529,050 had been erroneously classified under recurrent expenditure in the financial statements for the year under review.
- (c) An arrears amount of stamp duty fees amounting to Rs. 8,460,871 which was receivable from Local Government from the year 2011 to the year 2015 had not been disclosed as receivables in the financial statement for the year under review, thus revenue for the year under review had been understated by Rs 8,460,871.
- (d) As per confirmation received from the Chief secretary of the Northern Provincial Council, court fees to be receivable as Rs 1,183,835. However court fines

Rs. 1,503,090 had been brought to the financial statement for the year under review. As such, income had been overstated by Rs. 319,255.

1.3.3 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules, Regulations and Management Decisions etc	Non – Compliances
(A) 1988 Financial Management Rules of Pradeshiya Sabha's	
i) section 5(XII)	Security deposit had not been obtained from the officer who is responsible for cash and store.
ii) section 59	Revenue Inspector, Revenue Supervisor or any other officer who is authorized by the chairman had not been computed revenues within the area of Sabha at the beginning of every year.
iii) section 178(3)	Register of suppliers had not been prepared.
iv) section 218	Although all lands and buildings should be examined by the chairman or authorized officer at least once in every year, such examination had not been done even as at the date of reporting.
B) Section 150(1) of the Pradeshiya Sabha accounts No. 15 of 1985	A schedule in respect of trade licenses had not been prepared,
(C) Financial Regulation of Democratic Socialist Republic of Srilanka	
i) Financial Regulations 371	Action had not been taken by the Sabha to recover the outstanding amount of Rs. 1,828,506 which was paid as an advance to officers and outside parties of the Sabha for various activities from the year 2001 to the year 2011.

ii) Financial Regulations 571

Twelve payments aggregating to Rs.123,385 in respect of employees provident fund and employees trust fund from the year 2011 to 2012 had been kept in the deposit accounts without being remitted.

An amount totalling Rs. 50,358 which were payable to the Department of Pension had been kept in the deposit accounts.

1.3.4 Transactions without adequate Authority

The following observation are made.

- (a) 13 categories of expenditures aggregating to Rs. 21,005,241 incurred without budgetary provision during the year under review.
- (b) 05 capital expenditures aggregating to Rs. 17,282,285 had been spent without budgetary provision for the year under review.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, operations of the Sabha for the year ended 31 December 2015 had resulted income over recurrent expenditure of Rs. 7,335,045 as compared against expenditure over recurrent income of Rs. 1,725,031 for the preceding year, thus indicating an improvement of Rs. 9,060,076 in financial results. The main reasons for improvements were increases in recurrent grants and recurrent revenues for the Sabha.

2.2 Revenue Management

2.2.1 Performance of Revenue Collection

Difference of Rs. 11,005,245 had been observed between the estimated revenue and the actual revenue for the year under review.

2.2.2 Rents

Actions had not been taken by the Sabha to recover arrears of rent totaling Rs. 1,549,147

2.2.3 Other Revenue

The following observation are made.

- (a) Although towers of 06 Telecommunication were erected by the private communication companies within the area of the Sabha, a tax Rs. 50,000 from the 02 Telecommunication companies had not been recovered by the Sabha.
- (b) Action had not been taken by the Sabha to recover monthly rent from the date of commencement of particular towers of the Telecommunication up to 28 May 2016.

3. Operating Review

3.1 Management Inefficiency

Three computer and a photocopy machine had been allowed to be idled and kept without being proper maintenance.

3.2 Uneconomic Transactions

The following observation are made.

- (a) Internet connection was obtained by spending Rs. 35,253 per year by the Murunkan Sub Office, of the Nanattan Predeshiya Sabha from the Sri Lanka Telecom since April 2014. Nevertheless, Internet connection had not been used from April 2014 to May 2016.
- (b) A sum of Rs. 2.9 million had been withdrawal from the fixed deposit account maintained in Bank of Ceylon from 29 June 2011 without being obtained an approval from Commissioner of Local Government.

3.3 Delays in Project

Allocations of expenditures totalling Rs. 7,194,382 under 38 heads of the budget during the year under review had not been used from 40 per cent to 100 per cent.

3.4 Performance Report

Performance report had not been prepared by the Sabha up to 10 August 2016. in the item of the paragraph 1:4:1 of letter no. PF/R/2/2/3/5/(4) dated 10 March 2010 of Director General of Central Government.

4. Good Governance and Accountability

Budgetary Control

Entire allocation given for 24 categories of expenditures totaling Rs. 9,664,397 during the year under review had not been utilized.

5. Systems and Controls

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

- (a) Collection of Revenue
- (b) Budgetary Control
- (c) Accounts Receivable
- (d) Fixed Deposit
- (e) Accounting