

**Nanattan Pradeshiya Sabha**  
**Mannar 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 2016 had been submitted to audit on 27 March 2017 and the financial statements for the preceding year had been submitted on 30 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 18 July 2017.

**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 Nanattan Pradeshiya Sabha as at 31 December 2016 and its financial performance 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 Accounting Deficiencies**  
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- (a) Eleven expenditures totalling Rs. 138,451 for the year 2015 had been shown as expenditure of the year under review in the accounts.
- (b) Two expenditures totalling Rs. 77,783 for the year 2017 had been shown as expenditure of the year under review in the accounts.
- (c) Unidentified balances had been shown as current liabilities in the balance sheet of the year under review, thus accumulated fund had been understated by Rs. 154,146.
- (d) Court fines totalling Rs. 2,077,840 had been included in the income column under the service charges in the revenue and expenditure account of the year under review. As a result, income of service charges had been overstated by Rs. 2,077,840.
- (e) Revenue licenses had been obtained for 13 vehicles in the year under review. However, out of that, revenue licenses for the preceding years had not been obtained for 05 vehicles, thus a sum of Rs. 7,150 had been paid as fines.

**1.3.2 Non-compliance with Laws and Regulations**  
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The following instances of non-compliance with the laws, rules, regulations and management decisions were observed in audit.

## Reference to Laws, Rules and Regulations

## Non-compliances

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(a) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988

(i) Rule No. 5(xii)

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Security money had not been obtained from the officers who are responsible for cash and store items.

(ii) Rule No. 59

A survey of business entities under the purview of the Sabha should be carried out by the Revenue Inspector and Revenue Supervisor or any other officer who is authorized by the Chairman at the beginning of every year and a schedule in respect of business entities should be prepared in terms of section 150(1) of Pradeshiya Sabhas Act No. 15 of the year 1987. However, such schedule had not been prepared, thus action had not been taken to recover taxes on trade.

(iii) Rule No. 178(3)

The Sabha had not prepared a schedule in respect of the institutions for supplying goods.

(iv) Rule No. 218

All lands and buildings had not been examined by the Chairman at least once in every year.

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

(i) Financial Regulation 371

Any actions had not been taken by the Sabha to recover an advance of Rs. 1,822,105 paid to officers and external parties of the Pradeshiya Sabha for various activities from the year 2001 to the year 2011.

(ii) Financial Regulation 571

Actions had not been taken in respect of thirty three lapsed balances totalling Rs. 647,033. Twelve payments totalling Rs. 123,385 payable to Employees Provident Fund and Employees Trust Fund for the period ranging from the year 2011 to the year 2012 had been kept in the deposit accounts of the Pradeshiya Sabha without being paid even by the audit date of 23 May 2016.

Two payments totalling Rs. 50,358 payable to the Department of Pension had been kept in the deposit accounts of Pradeshiya Sabha without being paid even by the audit date of 23 May 2016.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 8,119,549 as compared against the excess of expenditure over income of Rs. 7,335,045 for the preceding year.

### 2.2 Revenue Management

#### 2.2.1 Performance of Revenue Collection

Significant differences were observed between the estimated revenue and the actual revenue for the year under review as presented by the Sabha

<b>Item of Revenue</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Arrears</b>	<b>Percentage</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
Rates and Taxes	460,000	366,462	93,538	20
Rents	6,095,995	7,833,168	(1,737,173)	(28)
License Fees	620,000	724,964	(104,964)	(17)
Charges for Services	2,919,000	4,739,921	(1,820,921)	(62)
Warrant Expenses	132,000	60,482	71,518	54
	<b>10,226,995</b>	<b>13,724,997</b>	<b>(3,498,002)</b>	

#### 2.2.2 Rents

- Actions had not been taken by the Sabha to recover arrears of four revenue items of three sub offices totalling Rs. 787,100 under the purview of the Sabha.
- There were towers of 06 Telecommunication Institutions under the purview of the Sabha, However, out of that, approved tax of Rs. 50,000 in respect of towers of 02 Telecommunication Institutions had not been recovered by the Sabha up to now.
- Rents for the year under review had been collected from the Telecommunication Institutions under the purview of the Sabha. However, any action had not been taken by the Sabha to recover arrears of rent for the period from the date of commencement of particular towers to the year 2015.

### **2.2.3 Stamp Duty Fees**

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Arrears of stamp duty fees totalling Rs. 8,460,871 receivable from the Ministry of Local Government for the period ranging from the year 2011 to the year 2015 had not been shown in the accounts of the year under review as receivable.

## **3. Operating Review**

### **3.1 Management Weaknesses**

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- (a) An air-conditioner had been fixed by the owner at the stall no. 12 which situated at market shop complex, Murungan under the Pradeshiya Sabha by the owner of the stall contrary to the stall rent contract. However, Revenue Inspectors had not examined it and submitted a report until the date of audit.
  
  - (b) Out of thirty two stalls situated at market shop complex, Murungan under the Pradeshiya Sabha, owners of twenty stalls had not paid electricity bill contrary to the stall rent contract. As a result, electric meters of twelve stalls had been removed and electricity connection of eight stalls had been disconnected by the Ceylon Electricity Board. However, any action had not been taken by Revenue Inspector, In charge of Sub Office, Murungan and Secretary of the Nanattan Pradeshiya Sabha.
  
  - (d) It was observed that out of 34 scheduled officers under the administration of the Pradeshiya Sabha, 05 officers had employed for the period from 12 years to 22 years continuously.

### **3.2 Solid Waste Management**

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The activities of burning and burying had only made by the Sabha in respect of disposing garbage under the purview of the Sabha. Nevertheless, any meaningful actions had not been taken by the Sabha to implement solid waste management including the compost and recycling projects.

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

### **4.1 Budgetary Control**

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A sum of Rs. 132,000 had been estimated as revenue from the warrant expenses by the budget of the year under review. However, 46 per cent of revenue had not been collected.

### **4.2 Inefficiency**

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A sum of Rs. 1,213,805 had been allocated by the Sabha for 03 expenditures in the budget estimate of the year under review. However, a sum of Rs. 665,897 had only been spent, thus the Sabha had failed to achieve the targets of the estimate.

### **4.3 Assets Management**

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- (a) According to the information furnished to the audit, fines totalling Rs. 6,305 had been paid for revenue license of vehicles which were in running condition for the year 2016 due to the carelessness of the in charge officer of vehicle subject and driver.
- (b) It was observed in audit that in comparing the vehicle running charts and registers of store, a sum of Rs. 34,200 incurred for the fuel usage of 360 liters to 04 vehicles had been included in registers of store. However, it had not been recorded in the vehicle running charts.

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

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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) Advance Account
- (e) Accounting