

**Nallur Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

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

1.3.1 Accounting Policies

Accounting policies to be adopted in preparing the financial statements of the Sabha had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

The following accounting deficiency was observed.

The ownership of 02 vehicles belonging to the Pradeshiya Sabha had not been transferred to the Sabha and values thereon had not been brought to accounts, thus the value of the motor vehicles had been understated in the accounts.

1.3.3 Receivable Accounts

A sum of Rs. 206,437 paid as advance had not been settled for over 05 years.

1.3.4 Non-maintenance of Registers and Books

Registers such as register of measurement, register of tax on property sales and register of electrical fittings had not been maintained by the Sabha.

1.3.5 Lack of Evidences for Audit

Two transactions valued at Rs. 148,246 could not be satisfactorily vouched or accepted in audit due to lack of required evidences.

1.3.6 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliances
----- Circular no. 41/90 dated 10 October 1990 of the Ministry of Public Administration and Home Affairs	----- Fuel consumption for the vehicles of the Sabha had not been tested.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Sabha for the year under review had resulted in an excess of income over recurrent expenditure of Rs. 83,423,712 as compared with the corresponding excess of income over recurrent expenditure of Rs. 64,903,029 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 18,520,683 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Sabha for the year under review had resulted in net surplus of Rs. 351,314 as compared with the corresponding net surplus of Rs. 679,090 for the preceding year, thus indicating an deterioration in the closing financial results by Rs. 327,776 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, the working capital of the Sabha for the year under review had resulted in Rs. 321,447,826 as compared with the corresponding working capital of Rs. 264,111,088 for the preceding year, thus indicating an improvement in the working capital by Rs. 57,336,738 for the year under review.

2.4 Revenue Administration

2.4.1 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	2016	
		Actual	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Assessment Taxes	2,725	2,600	6,899
Lease Rents	25,289	21,454	983
License Fees	2,826	3,450	-
Other Revenue	110,002	125,898	192,878
Total	140,842	153,402	200,760

2.4.2 Assessment tax on Property

Assessment tax of Rs. 5,915,521 had remained as arrears up to now without being recovered.

2.4.3 Lease and Rents

The following observations are made.

- Lease rents of stalls amounting to Rs. 146,916 had remained as arrears up to now without being recovered.
- Rents of market stalls amounting to Rs. 577,074 had not been recovered by the Sabha up to now.

2.4.4 Court Fines and Stamp fees

The following observations are made.

- Court fines for the 3 months of the year under review amounting to Rs. 965,000 had not been recovered by the Sabha.
- Stamp fees of Rs. 142,049,877 had not been recovered from the Registrar General of Lands in the year under review and the preceding years.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Action had not been taken by the Sabha in respect of 03 unapproved telecommunication towers.
- (b) At least 04 Audit and Management Committee meetings should be conducted for a year in order to carry out the activities of the Sabha efficiently. However, 02 Audit and Management Committee meetings had only been held in the Sabha during the year under review.
- (c) Even though approved cadre of the Sabha was 136, actual cadre was 117, thus shortages in the cadre were 06.

3.2 Underutilized Assets

The following observations are made.

- (a) A land valued at Rs. 5,354,000 had remained idle for 03 years.
- (b) Rural market valued at Rs. 823,060 had remained idle.

3.3 Contract Administration

Eleven capital works valued at Rs. 23,610,000 planned in the budget had not been executed completely.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 174,875 to Rs. 7,111,107 between the budgeted expenditure and actual expenditure were observed in audit.