

**Nallur Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 28 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 11 September 2018.

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 2017 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 adopted in preparing the financial statements had not been disclosed in the financial statements.

1.3.2 Accounts Receivable and Payable

Accounts Receivable

Advance of Rs. 151,437 paid to a contractor for reconstruction of market building at Thirunelvely for more than five years had not been settled up to now even though respective works had been completed.

1.3.3 Lack of Evidence for Audit

Non-presentation of Information to Audit

Two hundred and eighty-eight library books could not be satisfactorily vouched or accepted in audit due to non-submission of such books to the board of survey of the year under review for physical verification.

1.3.4 Non-compliances

1.3.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliances
	Rs.	
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	6,879,629	A warrant had not been issued by the Secretary of the Sabha to the defaulters of the arrears of assessment tax on property.
(b) Finance circular of Northern Province No. PF/01/2017 of 07 March 2017		Security money had not been obtained from the officers who were given responsibility administratively or as per delegation of authority to obtain money and store goods or to keep them in safe custody.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	2,451,654	No actions had been taken in respect of contractor deposits for over 02 years.
(d) Ministry of Public Administration and Management Circular No. 13/2008 of 26 June 2008		Daily running charts of vehicle for the month had not been submitted for audit on or before 15 th day of the following month.

1.3.4.2 Non-compliance with Tax Requirements

No actions had been taken for over the last 01 year to remit PAYE tax totalling Rs. 5,922 recovered from three officers to the Department of Inland Revenue in terms of the Circular No. Sec/2013/07 dated 01 September 2013 of the Department of Inland Revenue.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 110,771,569 as compared with

the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 83,423,712.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,615,000	2,535,003	2,600,466	6,879,629	2,725,000	3,005,975	2,599,792	6,899,457
Rentals	28,585,000	–	30,103,144	–	25,288,600	–	21,454,260	–
License Fees	3,248,700	–	3,442,528	–	2,826,000	–	3,450,048	–
Other Revenue	42,812,000	–	89,464,080	215,634,685	43,392,000	–	63,403,076	193,861,477
	772,260,700	2,535,003	125,610,218	222,514,314	74,231,600	3,005,975	90,907,176	200,760,934

2.2.2 Rates and Taxes

No meaningful actions had been taken by the Sabha to recover arrears of rates and taxes totalling Rs. 6,879,629 for the period of last one year to five years.

2.2.3 Rentals

The following matters were observed.

- No meaningful actions had been taken by the Sabha to recover arrears of stall leases totalling Rs. 146,916 for the last two years to five years.
- No meaningful actions had been taken by the Sabha to recover arrears of market stall rents totalling Rs. 813,324 for the last two years to five years.

2.2.4 License Fees

No meaningful actions had been taken by the Sabha to recover trade license fees of Rs. 2,000 for the last one year.

2.2.5 Stamp Fees

Stamp fees of Rs. 203,870,302 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) It was observed that no meaningful actions had been taken in respect of three telecommunication towers constructed without being obtained permission of the Sabha and no actions had been taken by the Sabha to assess and recover license fees therefor.
- (b) No meaningful actions had been taken by the Sabha to complete reconstruction works of Thirunelvely shopping complex and Kokuvil public library as per planning in the year under review.
- (c) Value added tax totalling Rs. 417,345 related to the works completed by the contractors who has inactive registration for value added tax had been retained by the Sabha in the general deposit account without being credited to revenue for more than last five years .

3.2 Assets Management

3.2.1 Idle Assets

Kurunthanpulam land purchased by the Sabha at a cost of Rs. 5,354,000 had remained idle for the last six years due to lack of transport facilities.

3.2.2 Failure to handed over Assets

Five categories of tractors and trailers being used by the Sabha had not been owned by the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from Rs. 14,356 to Rs. 45,167,671 or from 0.55 per cent to 123 per cent between the budgeted revenue and actual revenue and from Rs. 2,081 to Rs. 4,261,824 or 1.54 per cent to 6.73 per cent between the budgeted expenditure and actual expenditure were observed.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

Systems	Deficiencies
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Accounting	Failure to maintain register of measurement sheets and register of tax on land sale.