

**Nanattan Pradeshiya Sabha
Mannar District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 27 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman of the Sabha 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 Nanattan 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 Accounting Deficiency

Fixed deposit interest of Rs. 368,333 had been received as revenue in the year under review. However, it had been shown as Rs. 561,973 in the revenue and expenditure account, thus the excess revenue over expenditure for the year under review had been overstated by Rs. 193,630.

1.3.3 Lack of Evidence for Audit

Non-presentation of Information to Audit

Two transactions totalling Rs. 146.05 million could not be satisfactorily vouched or accepted in audit due to non-submission of land deeds and age analysis schedule of loans.

1.3.4 Non-compliances

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
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	691,029	No meaningful actions had been taken by the Sabha in respect of thirty eight lapsed deposits for the last 03 years.
(b) Public Administration Circular (i) No. 30/2017 of 19 April 2017		Reports in respect of confirmation of daily arrival and departure of public officers by using figure scanners had not been made available to audit.
(ii) No. 2008/05 of 06 February 2008		Citizen charter had not been shown in three languages of Tamil, Sinhala and English.

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. 2,939,055 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 8,119,549.

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.
(i) Rates and Taxes	411,000	-	472,910	-	460,000	-	366,462	-
(ii) Rentals	6,352,055	-	5,866,244	-	6,095,995	-	7,833,168	-
(iii) License Fees	670,000	-	575,769	-	620,000	-	724,964	-
(iv) Other Revenue	4,004,484	-	4,840,218	3,440,396	3,768,250	-	5,457,211	2,849,064

2.2.2 Court Fines and Stamp Fees

Court fines of Rs. 528,000 and stamp fees of Rs. 946,470 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

2.2.3 Rentals

No meaningful actions had been taken by the Sabha to recover arrears of rents totalling Rs. 245,560 receivable from lessee of market stall and postal building belonging to the Sabha for the last 01 year to 07 years.

3. Operating Review

3.1 Performance

The following matters were observed.

(a) Failure to Achieve the Expected Output

A tourist hotel had been constructed at a cost of Rs. 5 million under the scheme of Provincial Specific Development Grant – 2015 at Thekkam. However, no meaningful actions had been taken by the Sabha to achieve expected objective from it for over the last one year.

(b) Solid Waste Management

The following matters were observed.

- (i) Environmental license had not been obtained for the places of disposing garbage.
- (ii) Sanitary labourers had not been subjected to medical test annually.
- (iii) Garbage had not been categorized separately and collected.
- (iv) A work plan for categorizing garbage being brought to the dumping place of garbage of the Sabha had not been implemented.
- (v) Training in respect of waste management had not been provided to officers.
- (vi) An information and data system required to waste management had not been maintained.

- (vii) Solid wastes had been set on fire in order to damage the environment without being subjected to recycling.
- (viii) Bye-laws had not been enacted for solid waste management.
- (ix) No actions had been taken to recover garbage tax for covering up the cost spent by the Sabha for waste management.
- (x) No actions had been taken to take garbage by categorizing and collecting them separately in bags from stalls and residents under the purview of the Sabha.

(c) Abandoned Activities

It had been planned to implement 16 capital and welfare schemes valued at Rs. 76 million by using the fund of the Sabha in the budget of the year under review. However, no meaningful actions had been taken by the Sabha to implement such schemes up to now.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Four hundred and twenty one new houses had been constructed by Government and Non-Government Organizations in the year under review. However, the Sabha had failed to recover processing and examination fees totalling Rs. 606,900 recoverable for 289 houses properly as revenue inspectors of the Sabha had failed to examine such houses properly.
- (b) Out of 32 stalls located at Murungan market shop complex belonging to the Sabha, electricity bills of 20 stalls had not been paid by the contractors regularly contrary to the stall rent agreement, thus electricity meters of 12 stalls had been removed by the Ceylon Electricity Board and Electricity connection of 08 stalls had also been disconnected.

3.3 Human Resources Management

It was observed that 06 vacancies of the cadre of the Sabha had not been filled in the year under review, thus works to be implemented by them had been affected.

4. Accountability and Good Governance

4.1 Internal Audit

An internal audit unit had been established. However, meaningful actions taken as per examination of internal account in the year under review had not been made available to audit.

4.2 **Budgetary Control**

There was a favourable variance amount of Rs. 806,452 between the budgeted expenditure and actual expenditure in the year under review.

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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(a) Revenue	No meaningful actions had been taken by the Sabha to assess the properties and recover assessment tax.
(b) Accounts receivable	Revenue had not been examined effectively to recover government revenue and processing fees receivable to the Sabha.
(c) Assets	Title deeds of land and buildings, roads, cemeteries and slaughter house etc. belonging to the Sabha had not been documented.
(d) Accounting	General ledger and main ledger had not been maintained in updated manner.