

**Nallur Pradeshiya Sabha
Jaffna District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 27 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman of the Sabha on 30 June 2019 and 31 October 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Accounting Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
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Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	Accounting policies should be disclosed in the financial statements.	Not replied

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
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(a) Pradeshiya Sabhas Act No. 15 of the year 1987 (i) Section 126(VII)	Respective actions had not been taken to charge any license fees in respect of advertisement boards and other temporary structures.	Action should be taken in terms of instructions of said Act.	Action is being taken.

(ii) Section 158(1)	Warrant had not been issued by the Chairman to the defaulters of arrears of assessment tax on property.	Action should be taken in terms of instructions of said Act.	Respective action is being taken.
(b) Pradeshiya Sabhas (Financial and Administrative) Rule of the year 1988 Section 193 of Chapter X	A statement including explanation for variances by comparing details of actual revenue and expenditure for the year under review with the budget had not been prepared.	Action should be taken in terms of instructions of said Rules.	This statement will be presented along with the financial statements in future periods.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 371	Advances paid to the contractors in respect of 02 works had not been settled for over the last 05 years.	Action should be taken as per instructions of said financial regulation.	Action had been taken by court case.
(ii) Financial Regulation 571	No action had been taken in respect of deposit balance of the contractor for over two years.	Action should be taken as per instructions of said financial regulations.	Respective action will be taken in respect of deposits and it will be reported.

1.4.2 Noncompliance with Tax Requirements

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Tax of Rs. 561,941 and fine thereon Rs. 447,952 to be paid to the Department of Inland Revenue had not been paid by the Pradeshiya Sabha.	Tax amount to be paid to the Department of Inland Revenue should be settled by obtaining proper consultancy.	Respective action will be taken.
(b) Annual revenue license fees of 06 vehicles being used by the Pradeshiya Sabha had not been paid to the Department of Motor Traffic for particular year.	Action should be taken to pay revenue license fees amount to Department of Motor Traffic in due periods.	Respective action will be taken.

- (c) In terms of Section 154 of Pradeshiya Sabhas Act No. 15 of the year 1987, sales tax equivalent to 1% should be recovered on sales of certain lands. However, no action had been taken by the Sabha to recover them. Action should be taken to recover sales tax. Actions will be taken by considering such matter in future periods.

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 2018 amounted to Rs. 36,175,857 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 110,771,569.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected 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	2018				2017			
	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.
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Rates and Taxes	2,770,000	-	2,615,823	6,912,056	2,615,000	-	2,600,466	6,879,628
Rentals	34,513,760	-	34,551,173	961,238	28,585,000	-	30,103,144	960,238
License Fees	3,420,000	-	3,647,358	48,000	3,248,700	-	3,442,528	28,000
Other Revenue	129,022,790	-	94,000,109	40,140,428	108,764,324	-	153,429,111	214,646,444
	169,726,550	-	134,814,463	48,061,722	143,213,024	-	189,575,249	222,514,310

❖ Billed revenue had not been presented to audit.

2.2.2 Performance in Collection of Revenue

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Collected revenue for the year 2017 was Rs. 189,575,249. However, collected revenue for the year 2018 was decreased as Rs. 134,814,463, thus performance of revenue collection for the year 2018 had been decreased by Rs. 54,760,786 as compared with the year 2017. However, billed revenue could not be verified.	Billed revenue should be verified.	Not replied
(b) The Sabha had not billed its revenue for the last 05 years, thus it was revealed that revenue collection was inefficient.	Actions should be taken to prepare billed revenue for 05 years.	Revenue will be billed properly and presented in future periods.

2.2.3 Rates and Taxes

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No action had been taken to recover arrears of rates and taxes totalling Rs. 2,583,823 in respect of 19,594 properties as at the end of the year under review.	Arrears of rates and taxes of properties should be recovered.	Actions will be taken to recover arrears continuously.

2.2.4 Rents

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No action had been taken by the Sabha to recover arrears of market stall rent totalling Rs. 544,574 in the year under review.	Action should be taken by the Sabha to recover arrears of rent.	A sum of Rs. 544,574 was a lapsed balance. Action is being taken to write off it.

2.2.5 License Fees

Audit Observations	Recommendations	Comments of the Accounting Officer
----- No action had been taken to recover license fees of Rs. 200,000 for telecommunication towers.	----- Action should be taken to recover license fees for telecommunication towers.	----- Legal action will be taken.

2.2.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Court fines and stamp fees totalling Rs. 855,000 and Rs. 15,678,611 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	----- Action should be taken to recover arrears.	----- Respective action is being taken.

3. Operating Review

3.1 Performance

The matters observed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabhas Act such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

(a) By-Laws

Audit Observation	Recommendation	Comment of the Accounting Officer
----- By-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabhas Act. However, all functions had not been implemented.	----- Meaningful actions should be taken to enact by-laws for implementing all said functions.	----- Action will be taken to implement functions completely in respect of by-laws.

(b) Action Plan

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
An annual action plan had not been prepared in respect of 30 activities to be implemented by the Sabha.	An annual action plan should be prepared as per by-laws.	Action will be taken to prepare an action plan.

(c) Failure to achieve expected Outcomes

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Expected output could not be achieved through spending a sum of Rs. 5,354,000 for purchasing of land at Kurunthanpulam which was mentioned in the action plan.	Action should be taken to construct a road for said property.	Action will be taken to construct a road within the end of this year.

(d) Delays in executing Activities

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Eleven activities had been started. However, delays were observed in performance of those activities.	Action should be taken to complete such activities in due period.	Extension period had been given for acceptable reasons in respect of such works and fines had been recovered for additional days.

(e) Solid Waste Management

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Forty three sanitary labourers who were employed in solid waste activities had not been subjected to medical test by the Sabha annually.	Sanitary labourers should be subjected to medical test annually.	Medical test had been done for employees.

(ii) Solid wastes had been collected without being segregated.	Solid wastes should be segregated and collected.	Action will be taken to segregate and collect totally in future periods.
(iii) Sanitary safety dresses had not been issued to the sanitary labourers, thus it was observed that the Pradeshiya Sabha had failed to care with the health of employees.	Sanitary safety dresses should be issued to the sanitary labourers and employed in duties	Respective action will be taken.

(f) Environmental Issues

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes.	Respective actions should be taken to prevent.	Actions will be taken in future periods.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Contrary to the citizen charter, approval had been granted to 45 applicants for constructing building with a delay of 01 to 05 months.	Services should be provided to the general public in due periods.	Action will be taken to provide services to the general public in due periods.
(b) No action had been taken to rent out road roller belonging to the Pradeshiya Sabha for over 01 year.	Action should be taken to rent out roller vehicle.	Action will be taken to issue road roller when requesting it on rent basis.
(c) It was mentioned that the Sabha should issue “K” form to the owners of the properties to recover rates and taxes annually. However, “K” form had not been issued in respect of 3,085 properties in the year 2018.	“K” form should be issued to all owners of the properties annually.	It will be issued completely in future periods.

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
----- The Sabha had not recruited and deployed human resources properly. As a result, works to be completed by such 12 human resources had been delayed.	----- Actions should be taken to fill vacancies of the cadre.	----- Actions are being taken to fill vacancies of the cadre.

3.4 Assets Management

3.4.1 Failure to record Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- No action had been taken to record 05 vehicles being used by the Pradeshiya Sabha, in the vehicle register.	----- Action should be taken to record ownership of vehicles in the vehicle register.	----- Three said vehicles had been recorded in the vehicle register of the Sabha.

3.4.2 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
----- No action had been taken to repair 06 repairable vehicles being used by the Pradeshiya Sabha for over 03 years.	----- Action should be taken to repair repairable vehicles.	----- Action is being taken to repair.

3.4.3 Annual Board of Survey

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Proper price had not been determined for 49 items when taking action which to be taken after annual board of survey, thus it had not been sold by auction.	----- Respective action should be taken.	----- No one was ready for taking by auction. Reassessment had been requested.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A procurement plan for the year under review should be prepared for the activities of supplies and services. However, a procurement plan had not been prepared for services.	A procurement plan should be prepared as per an approved format.	Action will be taken to prepare a procurement plan for services in future periods.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Expenditure of the Sabha such as personnel emoluments, travel expenses, repair and maintenance of capital assets, loading and unloading, continuous utility services and other services, interest payments, dividends, bonus, grants, aid funds, assistant monies, pensions, retirement benefits and gratuities had been as favourable and expenditure such as supplying goods and requisite goods had been as adverse.	Respective actions should be taken to plan the budget properly.	Action will be taken in future periods.