

Nallur Pradeshiya Sabha

Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 28 February 2020 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 2020 and 30 August 2020 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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Accounting Deficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
Purchase of Tractor box, water tank vehicles at a cost of Rs. 980,00 has not been included in the motor vehicles in year under review, thus value Rs.980,000 of the Motor vehicles had been understated in the financial Statements.	When water tanks, tractor box had been purchased in 2019, had not been included under the value of motor vehicles	Financial statement should be included the values of relevant vehicles.

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	Comments of the Accounting Officer	Recommendation
-----	-----	-----	-----
(a) Pradeshiya Sabhas Act No. 15 of the year 1987 Section 158(1)	Warrant had not been issued by the Chairman to the defaulters of arrears of assessment tax on property.	Action has been taken to recover the arrears.	Appropriate action should be taken to related assessment tax arrears in terms of Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation No. 371	Advances paid to the contractors had not been settled for more than 05 years.	Court Case has been filed to recover the advances from contractors.	Appropriate action should be taken to unsettled advances in terms of Financial Regulation.
(c) Ministry of Public Administration and Management Circular 30/2016 of 29 December 2016	Fuel consumption had not been tested for 04 vehicles of the Sabha.	Fuel consumption test will be included after vehicles repair.	Fuel consumption test should be taken as per the Circulars.
(d) Other Circular Local Government Services circular No. 2018/e Local Government 01 dated 19.07.2018	Services receiving facilities had not been provided through the online for citizens.	Appropriate action will be taken.	Appropriate action should be taken as per the Circulars.

1.4.2 Noncompliance with Tax Requirements

Audit Observation	Comment of the Accounting Officer	Recommendation
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 will be taken to recover the 1% Sales tax.	Appropriate action should be taken to recover accordance with Pradeshiya Sabha Act.

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 2019 amounted to Rs. 94,352,534 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 36,175,857.

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	2019				2018			
	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	7,885,681	32,133,985	5,182,204	9,200,340	2,770,000	34,513,760	2,615,824	6,912,057
Rentals	32,133,985	3,795,548	32,153,770	933,390	34,513,760	3,420,000	34,551,173	961,240
License Fees	5,652,000	166,394,873	9,124,477	23,000	3,420,000	129,022,790	7,107,178	48,000
Other Revenue	150,233,185	7,885,681	161,185,843	30,741,458	129,022,790	2,770,000	90,540,291	40,140,429
	195,904,851	210,210,087	207,646,294	40,898,188	169,726,550	169,726,550	134,814,466	48,061,726

2.2.2 Rates and Taxes

Audit Observation	Comment of the Accounting Officer	Recommendation
No action had been taken to recover arrears of rates and taxes totaling Rs. 9,200,339 as at the end of the year under review.	Action will be taken to recover the arrears	Appropriate action should be taken to recover arrears of rates and taxes.

2.2.3 Rentals

Audit Observation	Comment of the Accounting Officer	Recommendation
No action had been taken by the Sabha to recover arrears of market stall rent totaling Rs. 691,489 in the year under review.	A sum of Rs. 691,489.74 was a lapsed balance. Action is being taken to write off it.	Appropriate action should be taken to recover the arrears of markets stall rents.

2.2.4 Court Fines and Stamp Fees

(a) Court Fines

Audit Observation	Comment of the Accounting Officer	Recommendation
Court fines totaling Rs. 3,568,505 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Action has been taken to collect arrears of courts fines.	Action should be taken to recover the arrears counts fine in the period.

(b) Stamp Duty

Audit Observation	Comment of the Accounting Officer	Recommendation
Stamp duties totaling Rs. 6,123,276 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Action has been taken to collect arrears of stamp duty.	Action should be taken to recover the arrears counts fine in the period.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) By-Law

Audit Observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
By-laws were required to be enacted for 30 main functions in terms of section 126 of the Pradeshiya Sabha Act. However, all functions had not been implemented.	Action will be taken to implement functions completely in respect of by-laws.	Appropriate action should be taken to implement as per the by-law.

(b) Failure to achieve expected Outcomes

Audit Observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
Purchase of Land Rs. 5,354,000 had not been utilized for over 07 years.	Action will be taken to create the road under this year.	Appropriate action should be taken to use the lands.

(c) Delays in executing Activities

Audit Observation	Comment of the Accounting Officer	Recommendation
-----	-----	-----
While 23 project works valued at Rs. 19,931,507 should be completed in 2019 year and Project works had not been completed in the period.	Action will be taken to terminate the contracts in future due to works hasn't been started in respective starting dates.	Appropriate action should be taken to complete in the period.

(d) Solid Waste Management

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Expense of Rs. 19,031,541 had been incurred for disposing solid waste in the year 2019. However, solid waste disposal activities had not been carried out by the Pradeshiya Sabha efficiently.	Action will be taken to related solid waste disposal.	Appropriate actions should be efficiently taken as per the solid waste managements

(e) Environmental Issues

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
No actions had been taken to spray mosquito oil for preventing spread of mosquitoes and flees and to prevent bad smell.	Action had been taken now to spray mosquito oil and to prevent bad smell.	Appropriate actions should be taken by the Sabha for environmental Protection.

3.2 Management inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) "K" form had not been issued to recover the assessment tax of owners of the properties in 2019.	Appropriate action will be taken.	Action should be taken to issue the "K" form in the period.
(b) The value of the current asset has been underestimate in the financial statements due to not included of values of public warehouses, Ayurvedic warehouses and electrical warehousing items have not been assessed in the financial statements.	Will be adjusted in future.	Appropriate action should be taken to include the value of warehouse items in the financial statements.

3.3 Human Resources Management

Audit Observation	Comment of the Accounting Officer	Recommendation
----- The Sabha had not recruited and deployed human resources properly. As a result, it was observed in audit that works to be completed by such 13 human resources had been delayed.	----- Appropriate action had been taken.	----- Appropriate action should be taken to fill the vacancies in the relevant period.

3.4 Assets Management

3.4.1 Assets not acquired

Audit Observation	Comment of the Accounting Officer	Recommendation
----- No action had been taken to transfer ownerships of Market land and building value at Rs. 1,250,000 to the Sabha.	----- Appropriate action will be taken.	----- Action should be taken acquire proper land.

4 Accountability and Good Governance

Budgetary Control

Audit Observation	Comment of the Accounting Officer	Recommendation
----- This budget was inefficient due to different between budgetary expenditure and actual expenditures in Sabha.	----- Action will be taken to prepare the budget considering the deviations.	----- Appropriate action should be taken by the Sabha to plan proper budget system.