

Nanattan Pradeshiya Sabha

Mannar District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 24 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 on 29 June 2020 and 17 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of 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 Nanattan 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

(a) Accounting Policies

Audit Observation	Comment of the Accounting Officer	Recommendation
Accounting policies adopted in preparing the financial statements had not been disclosed by the Sabha in the financial statements.	The policies were not mentioned in the miscalculation. Will be revealed in the future	The Policies are followed to prepare the financial statements should be disclosed in the financial statements.

(b) Accounting Deficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the tractor was not purchased by the Sabha in 2018, The current liabilities were exaggerated in the financial statements as the questionnaire amount was erroneously shown to be Rs. 2,000,000 to be paid into the creditor's account and the recurring expense was included in the creditor's account.	Only payments made for future purchases will be displayed.	Financial statements should be prepared in accordance with generally accepted accounting principles.

(c) **Unreconciled Accounts**

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i) Although the value of the two types of goods purchased by the Board during the year under review was Rs. 423, 000 the value of the property has been reduced by Rs. 409,500 in the financial statements as the annual balance sheet is estimated at Rs. 13,500.	Action will be taken to rectify this error through diaries in the final accounts for the year 2020. Further, action will be taken to prevent such mistakes in future.	Differences in the relevant balances should be reconciled and appropriate action should taken to correct the accounts.
(ii) At the end of the year, Advance to public Officers balance should be Rs. 5,912,740, there is a difference of Rs. 24,907 as shown in the balance sheet of Rs. 5,937,647 as on 31December 2019.	Action will be taken to rectify the error in the final accounts for the year 2020.	The differences in the relevant balances should be reconciled and appropriate action has to be taken to correct the accounts

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 -----	Recommendations -----
(a) National Audit Act No 19 of 2018 - Section 16(2)	An annual performance report had not been presented for the year under review.	An annual performance report had been prepared and submitted to the audit in the due period.	Action should be taken to submit an annual performance report in due period.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 371	No action has been taken on advances amount of Rs. 1,959,876 which have not been settled for more than seven years.	An inquiry committee has been appointed by the Local Government Commissioner and action is being taken.	Appropriate action should be taken to settle the advances in the due period.

(ii)	Financial Regulation 571	No action had been taken in respect of lapsed deposits total Rs. 1,767,198 more than four years.	The inquiry committee has been appointed by the Regional Assistant Commissioner of Local Government. Action will be taken soon.	Appropriate action should be taken as per the financial regulation.
(c)	Instruction No. PL/15/5/Separation/U dated 17 May 2017 from the Ministry of Provincial Councils and Local Government	The procedure has not been maintained for sorting and disposing of the garbage, collected by the Sabha.	Actions will be taken to separate and dispose of garbage following proper procedures.	Appropriate action should be taken as per the Circular.

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.10,032,089 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs.15,797,329.

2.2 Financial Control

Audit Observation	Comment of the Accounting Officer	Recommendation
No action has been taken by the sabha in this regard despite the fact that the People's Bank current account maintained by the sabha has been inactive for a long time and the balance of Rs. 44,509 remains inactive.	Action is being taken to close the account with the permission of the Local Government Commissioner	Appropriate action should be taken on the long term dormant current account

2.3 Revenue Administration

2.3.1 Estimated Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated 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	Revenue Billed	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	357,200	-	347,800	352,000	599,480	247,480
(ii) Rent	6,282,400	435,710	978,067	14,194,766	17,373,534	3,178,768
(iii) License Fees;	395,000	-	620,997	585,000	554,457	(30,543)
(iv) Other Revenue	4,004,483	-	288,347	5,331,220	7,460,618	2,129,398
	11,039,083	435,710	2,235,211	20,462,986	25,988,089	5,525,103

2.3.2 Rent

Audit Observation	Comments of the Accounting Officer	Recommendation
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Appropriate action had not been taken to recover the arrears amount Rs. 221,560, of market shops and vegetable shops for last four years by the Sabha.	Action is being taking to investigate and settle by the research officers.	Actions should be taken to recover arrears of rent in the due period.

2.3.3 Court Fines and Stamp Fees

Audit Observation	Comments of the Accounting Officer	Recommendation
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Court fines of Rs. 25,219,634 and stamp fee Rs. 3,821,736 were due as at 31 December 2019.	Action has been taken to recover.	Action should be taken to recover the arrears in the due 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 No. 15 of 1987, 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) Sustainable Development Goals

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
In terms of the Audit Secretariat Circular No. General/2018/61 of 23 April 2018. No sustainability awareness and maritime and maritime pollution plans had not been prepared and sustained for sustainable development and protection of the oceans and marine resources.	Appropriate action will be taken in future.	Actions should be taken to prepare and implement appropriate plans to achieve the Sustainable Development Goal and to protect the seas and sea resources.

3.2 Management inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) No action has been taken in respect of Rs. 41,300 to be receivable from the JCB vehicle rental of the Sabha during the year under review.	Appropriate action will be taken to collect the revenue arrears.	Appropriate action should be taken to collect the arrears.
(b) It has been observed that Rs. 50,000 due from the rent of the Cultural Hall of the Sabha in the year 2018 has not been received for the last two years.	Appropriate action will be taken to collect the revenue arrears.	Appropriate action should be taken to collect the arrears.

3.3 Assets Management

3.3.1 Failure to obtain Revenue from assets

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Although Rs. 94,103 has been paid to the Mariyal Community Center for the repair of the Thekkam Canteen funded by the Sabha and completed on 07 March 2019, no constructive action has been taken to till date.	Appropriate action will be taken in the future	Appropriate action should be taken to use the building

3.3.2 Assets not acquired

Audit Observation	Comments of the Accounting Officer	Recommendation
No documents to confirm the ownership of the lands were found in the Sabha to confirm the fixed assets worth Rs. 309,623,434 shown as land buildings in the Sabha's 2019 budget.	Appropriate action will be taken in the future.	Appropriate action should be taken to transfer ownership of lands that have not been transferred.

3.3.3 Utilization of Vehicles

Audit Observation	Comments of the Accounting Officer	Recommendation
As per Public Finance Circular No. 02/2015 dated 10 July 2015, the Sabha has not taken any constructive actions to rectify or remove from use two vehicles valued at Rs. 202,000 which were found to be unused.	Appropriate action will be taken in the future.	Appropriate action should be taken as per the circular

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Accounting Officer	Recommendation
These budgets seem to be inefficient budget as observed the range of differences between the estimated cost of the board and the actual cost is 7 per cent to 66 per cent.	Care will be taken to ensure that such deficiencies do not occur in the future.	The preparing the budget should be prepared taking in to consider the account effective controls.