

Nochchiyagama Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 02 May 2013 and the financial statements for the preceding year had been presented on 21 May 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 27 November 2012.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Nochchiyagama Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Nochchiyagama Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Retention money amounting to Rs.1,360,877 deducted from the payments made for 14 construction works during the year under review had not been brought to account.
- (b.) The value of 24 plots of land amounting to Rs.2,018,693 of which the acquisition process had not been completed during the year under review had been brought to account whilst the value of 04 cemeteries within the area of the Sabha had not been brought to account, even though these cemeteries have been acquired by the Sabha.

1.3.2 Unreconciled Accounts

A difference of Rs.127,609 was observed between the balances of 02 items of accounts shown in the financial statements and the balances shown in the relevant subsidiary registers.

1.3.3 Lack of Evidence for Audit

Six items of accounts totaling Rs.38,977,806 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.4,430,562 as against the excess of recurrent expenditure over revenue amounting to Rs.929,472 for the preceding year.

2.2 Financial Control

Officers dealing with the custody of money and stores and officers carrying out revenue related duties had not kept security deposits in terms of Rule 180 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,768	901	3,275
(ii.) Lease Rent	4,931	398	4,891
(iii.) Licence Fees	1,310	2,628	168
(iv.) Other Revenue	16,306	5,853	-

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i.) Court Fines	925,171
(ii.) Stamp Fees	465,140

2.3.3 Acre Tax

Action had not been taken to levy an acre Tax on the lands situated within the limits of the Sabha and to recover the tax in terms of Section 134(3) of the Pradeshiya Sabha Act No.15 of 1987.

2.4 Idle and Underutilized Physical Resources

The rice flour related bakery production package valued at Rs.814,000 had been received from the Chief Ministry during 2008 and a sum of Rs.1,750,836 had been spent for construction of a building for it and for other overhead expenses. But, the relevant project had not been implemented.

2.5 Uneconomic Transactions

The old building owned by the Sabha had been given to a Government Department prior to several years without a formal rent agreement and no rent had been obtained for the building and the electricity bills amounting to Rs.125,464 for 05 years for the above also had been paid from the funds of the Sabha.

2.6 Transactions Not Supported by Adequate Authority

The prior approval of the Minister in charge of the subject had not been obtained for expenses amounting to Rs.50,000 incurred for religious activities during the year under review in terms of the provisions of Paragraph 132(j) of the Pradeshiya Sabha Act No.15 of 1987.

2.7 Legal Action Initiated by the Sabha

The Sabha had filed 04 cases at the Anuradhapura District Courts against 04 lessees in respect of non-payment of stall rent totaling Rs.1,224,300. Nevertheless, the Sabha had decided to avoid appearing for legal proceedings due to a problem on the ownership of the above stalls.

2.8 Operating Inefficiencies

The following observations are made.

- (a.) The budget had not been prepared properly in agreement with the corporate plan and the action plan and therefore, material variances were observed between the budget and actual values, thus indicating that the budget had not been made use of as an effective instrument of control.
- (b.) The Sabha had recruited 35 employees in excess of the approved cadre during the year under review and a sum of Rs.3,887,673 had been paid from the funds of the Sabha as unreimbursable salaries.
- (c.) Action had not been taken to recover employees loans amounting to Rs.1,008,400 due for over one year.
- (d.) Action had not been taken to settle creditors balances totaling Rs.21,909,477 payable for over one year.
- (e.) Provisions totaling Rs.232,070 had been received during the year under review for the implementation of 05 Provincial Council Decentralized Development Projects. But, action had not been taken to commence the above projects and 03 works costing Rs.485,000 approved by the Sabha for implementation had been abandoned.

2.9 Solid Waste Management

The Sabha had not implemented an environmental friendly waste management system during the year under review.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Revenue Administration
- (b.) Assets Management
- (c.) Human Resources Management