

**Nochchiyagama Pradeshiya Sabha
Anuradhapura District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the Audit 01 April 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 09 June 2019 and the detailed management audit report had been submitted on 09 July 2019.

1.2 Unqualified Opinion

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the Nochchiyagama 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

(a) Accounting Policies

Audit Observation

Accounting policies followed in the preparation of financial statements by the Sabha had not been disclosed in the financial statements

Recommendation

Accounting policies should be disclosed in the financial statements.

Comments of the Accounting Officer

Accepted.

(b) Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	Although the billed income of the Ihalawetiya Water Project was Rs. 4,195,768, since it had been stated as Rs. 4,223,262 in the Income and Expenditure Account, a sum of Rs. 27,494 had been overstated in the account.	Accurate values should be disclosed through accounts	It is informed that action will be taken to correct this mistake using the correct billed value
(ii)	Loan interest of Rs. 878,359 of the loan balance of the Local Loan and Development Fund for the year under review had not been stated as an expenditure.	Interest expense for the year under review should be shown as expenditure in the Income and Expenditure Account.	Steps will be taken to correct this error.
(iii)	The value of pensions and gratuity expenses for the year under review had not been recognized and stated in the Income Expenditure Account as recurrent expenditure	All expenses related to the year under review should be accounted for.	It is notified that pension and gratuity expenses are not included in the income expenditure account for the year under review as recurrent expenditure.
(iv)	No provisions had been made for the audit fees for the year under review.	Provisions should be made.	It is informed that no allocation has been made as a specific value cannot be identified.
(v)	Under the Local Loans and Development Funds, the outstanding loan premium and interest of Rs. 1,154,011 for the quarter ended 2018 had not been shown in the balance sheet as current liabilities.	The amount payable should be shown as creditors.	It is accepted that this has not been shown under the creditors in the preparation of financial statements. Action will be taken to correct this error.
(vi)	The stamp duty of Rs. 3,999,265 receivable pertaining to period from the year 2013 to	Accurate information should be disclosed through accounts	It is informed that these schedules will be re-examined and verified and thereby action will be taken to

2018 had not been disclosed in the financial statements.

recover that income.

- (vii) Electricity bills of Rs.37,669 due to be paid as at 31 December of the year under review had not been stated in the financial statements.

Steps need to be taken to properly account for all expenditure pertaining to the year under review.

Action will be taken to correct this.

(c) Unreconciled Accounts

Audit Observation

Recommendation

Comments of the Accounting Officer

- (i) There was a total difference of Rs. 3,447,720 between the balance stated in the final account and the relevant schedules pertaining to 05 items of accounts as at 31 December 2018.

Action should be taken to compare the differences of the relevant balances and correct the accounts.

Accepted. Action will be taken to correct this difference.

- (ii) Although the fixed asset value of the balance sheet as at 31 December 2018 was Rs.226,430,376, the value of the revenue contribution to capital input account was Rs. 226,112,126. Accordingly, a difference of Rs. 318,250 was observed between the relevant accounts.

The fixed asset balance should be maintained equal to the revenue contribution to capital input account.

The fixed asset value as at 31 December 2018 was Rs.226,430,376. This difference was due to the lease premium of the AAU-1256 three-wheeler obtained on lease.

(d) Accounts Receivable and Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Two accounts receivable accounts balances amounting to Rs. 7,904,497 continued to exist for more than a period of 05 years had not been recovered.	Action should be taken to recover the balance due.	This outstanding balance had been formed by renting shops and 05 joint homes owned by the Sabha. It is kindly informed that legal action is being taken in this regard.
(ii) Assessment tax of Rs. 592,375 receivable from 10 government property that remained unrecovered for a period of 05 years to 21 years as at 31 December of the year under review had not been recovered.	Action should be taken to recover from the relevant institutions.	Steps are being taken to inform the government institutions in writing about the arrears of assessments and legal action will be taken against the government institutions that do not pay assessment.
(iii) Four accounts balances payable of Rs. 3,622,818 that had been brought forward in the financial statements for more than a period of 05 years had not been settled even in the year under review.	Action should be taken to settle the payable balances.	Since it is not possible to identify the officers to whom these pensions and benefits and gratuity should be paid, those contributions are not made. The payable balances such as Stamp Duty, Nation Building Tax and Detention Levy will be paid in the year 2019 by confirming them in consultation with those institutions .

(e) Lack of necessary written evidence for audit

Audit Observation	Recommendation	Comments of the Accounting Officer
As detailed schedules, age analysis and confirmation letters pertaining to 8 items of account worth Rs. 14,470,756 had not been furnished, those could not be satisfactorily verified in audit.	Written evidence should be provided to substantiate the value set out in the financial statements	This will be submitted in the future.

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules and regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Motor Traffic Act No.14 of 1951 (Cap.203)	Five vehicles belonging to the Sabha were operated without registration.	Action should be taken in accordance with the Act.	The information in the documents is contradictory.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) F.R.. 189	Action had not been taken on 16 cheques that had not been realized from the period of 06 months to 04 yeras form the their deposit in 02 accounts of the Sabha as at 31 December of the year under review.	Action should be taken in accordance with the Financial Regulations.	It is informed that there are 16 unrealized cheques in 02 accounts of the Sabha.
(ii) F.R. 454(2)	The list of electrical components of all the buildings of the Pradeshiya Sabha has not been maintained	Action should be taken in accordance with the Financial Regulations.	A list of all electrical components of the building of the Pradeshiya Sabha has not been prepared. Action will be taken to prepare and maintain this document in the future

(c) Public Administration
Circulars

i.	Circular No. 09/2009 dated 16 April 2009	Installation of finger scanner and determination of service period in performing overtime and holiday duties according to the circular had not been carried out.	Action should be taken in accordance with the Circular	It is informed that the finger scanner will be installed in the near future according to the circular dated 09/2009 dated 16 April 2009.
ii.	Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel combustion test had not been carried out on 19 vehicles owned by the Sabha.	Action should be taken in accordance with the Circular	Fuel combustion test have not been carried out for 2018 on vehicles owned by the Sabha
(d)	Treasury Circular No. IAI2002 / 02 dated 28 November 2002	No fixed asset register of computers, accessories and software had been maintained.	Relevant register on accessories and software should be maintained as per the circular.	It is informed that the fixed assets register of computers, accessories and software will be prepared and maintained in 2019.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 9,229,079 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 4,772,812 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Although the billed assessment tax stood at Rs. 1,765,005 during the year under review, only a sum of Rs. 647,474 or 37 per cent thereof had been collected. The remaining arrears of assessments of Rs. 5,247,493 had not been recovered.	Arrears of assessment should be recovered.	The stalls owned by the Nochchiyagama Pradeshiya Sabha have been assessed at the Assessment. Without charging assessments from these stalls and billing them annually, an arrears of assessment is shown therefrom.
(b) Improvement areas should be declared in terms of section 134 of Pradeshiya Sabha Act No.15 of 1987 with regard to assessment tax.	Action should be taken in accordance with the Act.	There are no gazetted documents to be found indicating the developed areas to impose assessment tax. Action will be taken to find those documents in the future.

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
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(i) Rates and Taxes	2,568,970	2,477,805	1,824,083	5,247,493	2,518,970	2,351,375	1,446,521	4,593,771
(ii) Rents	6,455,300	3,863,580	3,518,130	7,736,557	5,752,300	7,270,823	6,619,523	7,391,107
(iii) Licence Fees and services	16,995,700	6,299,480	6,248,120	5,828,761	20,623,900	7,195,655	5,373,326	5,777,401
(iv) Other Revenue	18,251,000	12,030,488	12,950,813	2,592,204	12,296,600	12,050,386	10,769,095	3,512,529
	44,270,970	24,671,353	24,541,146	21,405,015	41,191,770	28,868,239	24,208,465	21,274,808

(c) According to the Local Government Commissioner's Circular No. 1988/22 dated 17 May 1988, property has not been assessed at least once every five years.	Action should be taken in accordance with the relevant circular.	Action will be taken to revise the rates this year.
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(d) In terms of section 135 of the Pradeshiya Sabha Act, 1987, general religious, charitable, educational and home exemption lists had not been prepared.	Documents on the exempted properties should be prepared.	Action will be taken to prepare a list of properties that have been exempted.
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2.2.3 Rents

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Out of billed stall and house rent income of the year under review, a sum of Rs. 5,993,725 had not been recovered.	Arrears of income should be recovered	legal action will be taken to recover the arrears.

2.2.4 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
(අ) No action has been taken to settle the amount of stamp duty receivable in respect of the years from 2013 to 2018 in consultation with the Chief Secretary.	Necessary action should be taken to maintain records and collect revenue.	The relevant schedules on the stamp duty receivables have been received from the Land Registry on 16 May 2019..
(b) The outstanding balance due from the water projects in the Ihala Watiyawa, Kukul Katuwa, Horuvila and Nochchiyagama areas was Rs. 5,234,721. as at 31 December of the year under review.	Action should be taken to recover arrears	Most of the arrears related to these water projects have been collected by March of the current year and necessary steps are being taken to recover the remaining amount.

03. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people to be performed by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a). By-laws

Audit Observation

By-laws had not been enacted for the purpose of fulfillment of 28 main matters under section 126 of the Pradeshiya Sabha Act.

Recommendation

Action should be taken in accordance with the Act.

Comments of the Accounting Officer

It is notified that several by-laws have been adopted in terms of this Section and necessary steps are being taken to impose new by-laws regarding the other matters.

(b). Action Plan

Audit Observation

An Action Plan had not been prepared for the year 2018.

Recommendation

An Action Plan should be prepared.

Comments of the Accounting Officer

An action plan for the year 2019 has been prepared and the activities of the year are being carried out accordingly.

(c). Sustainable Development Goals

Audit Observation

The Pradeshiya Sabha was unaware of the objectives to be achieved during the year 2018 in terms of the United Nations Sustainable Development Agenda 2030.

Recommendation

Goals should be set and steps should be taken towards achieving them.

Comments of the Accounting Officer

Although we are unaware of the objectives to be achieved in the year 2018 in line with the United Nations Sustainable Development Agenda 2030, action will be taken to act in accordance with the relevant 5 objectives in the future.

3.2 Human Resource Management

Audit Observation

There were 05 vacancies in 03 posts at the primary level, 04 excess in 04 posts and 06 vacancies in 03 posts of secondary level and 16 casual workers were also recruited.

Recommendation

Action should be taken to fill the staff vacancies.

Comments of the Accounting Officer

From among the 16 persons recruited as casual employees, some employees have been deployed as pre-school teachers and pump station workers.

3.3 Assets Management

3.3.1 Idle/Underutilized Assets

Audit Observation

Six assets worth Rs. 1,905,850 and an unit of asset of which value had not been identified belonging to the Sabha had remained idle.

Recommendation

The relevant assets should be used or handed over, or disposed of.

Comments of the Accounting Officer

The equipment has been received from the Chief Minister of the North Central Province and it is informed that it will be deposited with the Ministry and returned to the auction account or returned to the Ministry.

3.3.2 Annual Board of Survey

Audit Observation

In terms of Board of Survey 2018, about 453 library books worth Rs. 93,922 had been misplaced.

Recommendation

Action should be taken to recover damages from the responsible parties

Comments of the Accounting Officer

According to the 2018 Book Survey, 36 books have been found missing from shelves and the rest have been lost in the mobile service. It is informed that these books will be found and submitted before the 2019 survey.

3.4 Procurement

Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting
Officer-----
A Procurement Plan had not been
prepared.-----
A Procurement Plan should
be prepared..-----
Accepted.
A Procurement Plan will be
prepared in the year 2019 and
the procurement process will
be properly implemented
accordingly.04. **Accountability and Good Governance**-----
Implementation of Audit and Management committees

Audit Observation

Recommendation

Comments of the Accounting
Officer-----
No Audit and Management
Committee meetings had been
conducted for the year under
review in terms of Finance,
Management and Audit Circular
No.DMA/2009 (1) (i) dated 28
January 2016.-----
Audit and
Management
Committee meetings
should be held.-----
An Audit and Management
Committee was established in
the year 2019 and accordingly,
the first Audit and Management
Committee meeting was held
on 06 February 2019.