

NochchiyagamaPradeshiyaSabha
Anuradhapura

01. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements of the year under review and the preceding year had been presented to audit on 27 April 2011 and 01 April 2010 respectively.

1.2 Opinion

In view of my comments and observations in this report, I am unable to express an opinion on the financial statements of the Nochchiyagama Pradeshiya Sabha for the year ended 31 December 2010 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

A summary of accounting deficiencies existed in the financial statements and the effects on the financial statements there from is given below.

Nature of Deficiency	No. of Items	Effects on Financial Statements			
		Income	Expenditure	Liabilities	Assets
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Omission from financial statements	18	-	-	-	1,055
– do -	01	-	1,247	-	-
– do -	01	-	-	30,228	-
(b) Over statements in the financial statements	03	103	-	-	-
(c) Under statements in the financial statements	01	04	-	-	-
	01	-	-	32	-
(d) Inappropriate disclosure in					

the financial statements 12 - - - 432

1.3.2 Un-recognized Accounts

According to the financial statements the balance of one item of account amounted to Rs.1,180,700 where as such balance according to the subsidiary books/records amounted to Rs.1,182,000.

1.3.3 Unexplained Differences

The balance of the summary cash book as at 31 December 2010 relating to one bank of Ceylon current account of the Sabha amounted to Rs.3,589,594 where as the balance as per balance sheet as at that date amounted to Rs.3,592,984 thus over stating a sum of Rs.3,390 which had not been explained.

1.3.4 Accounts Payable

The value of accounts payable balances remained for over 01 year as at 31 December 2010 amounted to Rs.949,754.

1.3.5 Lack of Evidence for Audit

One item of account valued at Rs.11,270,711 could not be satisfactorily vouched/verified in audit due to non-rendition of required information for audit.

1.3.6 Non-compliance with Laws, Rules, Regulations

Non-compliance with the following laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules Regulations
etc.

Non-compliance

(a) Value Added Tax
Act No. 14 of 2002

In terms of Value Added Tax Act, if an income of Rs.500,000 per 3 months period or Rs. 1,800,000 per annum is received from a source of income, that entity should be registered with the Commissioner General of Inland Revenue and obtained a VAT registration number and recover the VAT. Nevertheless, action had not been taken accordingly even though the taxable income of the year under review amounted to Rs. 7,857,976.

(b) Inland Revenue Act
No. 12 of 2006

Stamp fees of Rs.1,000 or 10% of the income whichever is more shall be recovered From trade license and leasing of trading right income source and remitted to the commissioner General of Inland Revenue. Nevertheless stamp fees on trade license income and leasing of trading right income had not been recovered.

02. F(c) Inland Revenue
i Act No. 10 of 2006
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cial and Operating Review

Five per cent withholding tax on specific charges amounting to Rs.229,575 paid in 3 instances had not been recovered and remitted to the Commissioner General of Inland Revenue.

2.1 Financial Results

According to the financial statements presented the income over recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2010 amounted to Rs. 5,713,037 as compared with the income over recurrent expenditure of the preceding year amounting to Rs.3,473,408.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Particulars of the estimated revenue, actual revenue and the arrears of revenue relating to the year under review and the preceding year presented by the Chairman are given below.

Item of Revenue	2010			2009		
	Estimated	Actual	Accumulative arrears as at 31 December	Estimated	Actual	Accumulative arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates & Taxes	1,763	1,450	313	1,769	485	2,809
Lease Rent	3,107	2,731	376	2,366	1,995	3,904
License Fees	859	859	-	953	953	168
Other income	10,172	2,851	7,321	9,574	4,112	6,173

2.2.2 Court Fines

Fines amounting to Rs.557,221 recovered by a Magistrate's Court under various Ordinances and remitted to the Chief Secretary as at 31 December 2010 were due to the Sabha.

2.2.3 Land Taxes

Two per cent annual tax on the capital ground value of undeveloped land located within the area of authority of the Sabha had not been recovered in terms of Section 153 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.4 Trade Stall Rent

The arrears of trade stall rent Shown in the financial statements as at 31December 2010 amounted to Rs.3,764,350. A test check carried out of outstanding boutique rent as at that date observed that, a sum of Rs.3,263,250 had been outstanding for the periods ranging from 3 to 11 years.

2.2.5 House Rent

The arrears of house rent receivable from 6 houses belonging to the Sabha for the period from 1997 to 31 December 2010 amounted to Rs.140,650. Adequate steps had not been taken to recover it.

2.3 Expenditure Structure

Budgeted expenditure and actual expenditure of the Sabha for the year under review and the preceding year along with the relevant variances are given below.

Item of Expenditure	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Recurrent Expenditure						
Personal Emoluments	10,869	10,598	271	11,420	10,483	937
Others	14,307	15,590	(1,283)	9,330	7,113	2,217
Sub Total	25,176	26,188	(1,012)	20,750	17,596	3,154
Capital Expenditure	16,400	2,547	13,853	54,707	3,500	51,207
Grand Total	41,576	28,735	12,841	75,457	21,096	54,361

2.4 Human Resource Management

2.4.1 Approved and Actual Cadre

- (a) Particulars of approved and actual cadre of the Sabha as at 31 December 2010 are given below.

Grades of Employees	Approved	Actual
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Staff	01	01
Secondary	08	10
Primary	16	20
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Total	25	31
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- (b) Six employees had been recruited in excess of the cadre approved by the Department of Management Services to the Sabha and a sum of Rs.701,800 had been paid as salaries during the year under review.

2.5 Assets Management

2.5.1 Idle Physical Resources

A vehicle valued at Rs.164,200, 03 machines a hand tractor trailer, the value of which was not available had been idle since the year 1994.

2.5.2 Unverified Assets

The value of assets computed on book values and not confirmed by board of survey reports as at 31 December 2010 amounted to Rs.100,478,621.

2.6 Irregular Transactions

In terms of Provincial Councils Circular No. NCP/PS/PT/04 dated 15 September 2003, out of the administration expenditure provision received for Maganeguma, Gamaneguma Projects only the travelling, overtime and holiday pay can be paid. Irrespective of that provision a sum of Rs.37,837 had been paid to the officers out of the provision received for the year 2009.

2.7 Operating Inefficiencies

The following matters were observed.

- (a) Even though a capital grants of Rs.12,882,666 had been received for the year under review, only a sum of Rs.2,547,291 had been spent there from. Accordingly only 20 per cent had been spent out of capital provisions and the balance 80 per cent had remained in the bank account.
- (b) A sum of Rs.23,447 retained in hand in respect of 7 works done during the period from 2007 to 2009 had not been settled even by 31 December 2010. Action had not been taken to release them after being rectified the defects, if any through the contractors.

2.8 Performance

In terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987, a corporate plan in cooperating the activities to be performed in the future years relating to health, roads and common utility services for the benefit and welfare of the people living in the area of authority of the Pradeshiya Sabha had not been prepared and implemented.

2.9 Contract Administration

Delays in the Implementation of Projects

Even though a half of the construction work of the building had been completed by spending a sum of Rs.1,053,437 during the period from 1999 to 2002 out of grants of the Provincial Council received for the construction of an auditorium, action had not been taken to complete the balance work by the Sabha.

2.10 Internal Audit

An adequate internal audit had not been carried out in the Sabha.

03. Systems and Controls

Special attention is drawn in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (c) Contract Administration
- (d) Assets Management