

Nochchiyagama Pradeshiya Sabha  
Anuradhapura District  
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1. Financial Statements  
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1.1 Presentation of Financial Statements  
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The Financial Statements for the year 2017 was presented for the Audit on 29 March 2018 and the Auditor General's Report relating to the year under review had been submitted to the chairman on 28 September 2018.

1.2 Qualified Opinion  
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In my opinion except for the effects of the matters described in the paragraph 1.3 of this report Financial Statements give a true and fair view of the Financial Position of the Nochchiyagama Pradeshiya Sabha as at 31 December 2017 and it's Financial Performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
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1.3.1 Accounting Deficiencies  
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The following facts were observed.

- (a) Due to the rent income worth Rs.10,500 being recorded in the income & expenditure accounts as Rs.31,500, income had been over stated by Rs.21,000.
- (b) The trailer water browser worth of 535,000 had not been accounted for the year under review provided by the Ministry of Local Government and Provincial Councils.
- (c) Although the billed water income was Rs.10,233,534 it had been recorded in the income and expenditure account as Rs.10,523,683 and therefore income was overstated by Rs.290,149.
- (d) Due to the health service transport charges worth Rs.231,883 not being recorded in the income and expenditure account, income had been understated by the same value.
- (e) According to registers income had been understated by Rs.144,324 due to showing Rs.1,909,329 billed rates as Rs.1,765,005 in the financial statements.
- (f) According to the registers income of the year and the income from the debtors had been understated by Rs.17,149 due to showing Rs.4,405,622 billed arrears rates in the end of the year as Rs.4,422,771 in the Financial Statements.

- (g) Income had been overstated by Rs.182,270 due to recording Rs.2,226,890 billed income for 22 active notice boards in the year under review as Rs.2,409,160 in the Financial Statements.

1.3.2 Non – Reconciled Accounts.

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The following facts were observed.

- (a) In comparison with the financial statements for the year under review as at 31 December relevant to 4 income subjects with the respective schedules a difference of Rs.151,436 was identified.
- (b) Rs.2,441,356 worth difference of income arrears were identified between the statement of financial Position and the No.07 of Pradeshiya Sabha income arrears.
- (c) A difference of Rs.315,356 was identified between the Non Current Assets and the Capital Contribution in the Statement Of Financial Position.

1.3.3 Suspense Accounts

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As of 31 December 2017, there were fluctuation in the financial statements since year 2013 and action had not been taken to settle the suspense account balances worth Rs.217,153.

1.3.4 Accounts payable

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Actions had not been taken to settle 3 payable accounts balances totalled Rs.3,268,521 in the year under review which had been brought forward since several years.

1.3.5 Lack of written evidence for audit

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Due to lack of required information the seven subject items amounted to Rs.115,622,948 could not be satisfactorily verified during audit.

13.6 Non - compliance with Laws, Rules and Regulations

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Instances of non-compliance with Laws, Rules and Regulations observed in audit are shown below.

Reference to Laws, Rules and RegulationsNo-Compliance

- (a) Pradeshiya Sabha  
Act. No. 15 of 1987  
  
Section 177
- (b) 1988 Pradeshiya Sbha (Financial and  
Administration) Rules 218
- (c) The Treasury Circular bearing  
No.IAI/2002/02, dated 28 November 2002
- A gratuity payment fund had not been established for the temporary and casual employees when the sabha's appointed services are over.
- All the Lands and Buildings had not been inspected once every year.
- A separate fixed assets record of computer, computer accessories and software had not been prepared.

## 2. Financial Review

## 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the sabha for the year ended 31 December 2017 amounted to Rs.4,772,812 as compared to the corresponding excess of revenue over expenditure for the preceding year according to the financial statements submitted amounted to Rs.3,726,581.

## 2.2 Revenue Administration.

## 2.2.1 Estimated Revenue, Actual Revenue and Accrued Revenue

- (a) Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below.

Type Income	The balance brought forwarded as at 01 January 2017	The billed revenue for the year 2017	Revenue collection during the year 2017		The value of arrears as at 31 December 2017
			Arrears as at 01.01.2017	The Billed amount during 2017	
	Value. Rs.	Value. Rs.	Value. Rs.	Value. Rs.	Value. Rs.
Rates	3,570,916	1,765,004	3,570,916	729,803	4,422,771
Rent Income	5,584,125	632,400	5,584,125	261,100	7,391,107
Wastage tax	118,000	710,000	-	657,000	171,000
Court fines	1,730,658	5,048,303	1,730,658	3,800,000	3,011,949

Trade License	167,940	-	-	-	167,940
Water revenue					
Ihalawatiyawa	1,327,834	3,947,011	1,327,834	3,244,049	1,764,781
Nochchiyagama	2,007,537	5,655,940	2,007,537	5,186,247	2,975,272
Kukulkatuwa	266,713	307,424	266,713	250,100	49,969
Horuwila	185,088	323,159	185,088	304,858	235,539
Total	<u>14,958,811</u>	<u>18,389,241</u>	<u>14,672,871</u>	<u>14,433,157</u>	<u>20,390,328</u>

## 2.2.2 The performance of revenue collection

Only 79 percent of the billed revenue were collected, whereas the billed revenue for the year ended being Rs.18,389,241 and only Rs.14,533,157 had been collected from the total value.

## 2.2.3 Rates and taxes

Although the rates tax for the year under review was Rs.1,765,004 only Rs.729,803 had been recovered, which is 41 percent of the total value. Tax arrears valued Rs.1,035,201 have not been recovered in terms of section 158 of Pradeshiya Sabha Act. No 15 of 1987.

## 2.2.4 Rentals

Although the house and shop rentals income for the year review was Rs.632,400 only Rs.261,100 was collected and Rs.371,300 had been left as rent income arrears at the end of the year. While 18 shop rental parties had neglected the payment for many years and the Sabha had not taken action to recover the arrears under section 159(i) of No.15 of 1987 Pradeshiya Sabha Act.

## 2.2.5 Other revenue

The following facts were revealed.

- Necessary steps had not been taken to recover the bill even by 25 June 2018, for the notice board exhibited by a private company valued Rs.57,640 on 27 June 2017.
- Due to the sum of Rs.54,255 valued 7 notice boards could not be recovered, the notices boards had been removed and left at the premises of the Pradeshiya Sabha.

3. Operational review  
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3.1 Performance  
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The following reveals the regulation and control of matters according to section 3 of Pradeshiya Sabha Act, relating to public amenities, public utility services and public roads, public health and public health and public welfare services fulfilled by the Sabha for the convenience and wellbeing of the people.

(a) By laws.  
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Although by laws had been implemented for 28 subject items according to the Section 126 of the Pradeshiya Sabha Act, even by 31 December 2017 by laws had not been imposed.

(b) Action Plan  
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Although an annual action plan was prepared for the purposes of the work accomplished by the Sabha, it was observed it was not a formal action plan due to the lack of expected work and dates.

(c) Not providing expected benefits  
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Due to the electricity connections not being provided to the garbage recycling building constructed by the funds received by the Ministry of Local Government at a cost of Rs.4,440,381 the building did not function for nearly 4 years.

(d) Environment related issues  
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The daily discarded garbage was not discarded in an environmentally friendly manner to a land belonging to the Kusumpura Sabha, the garbage had neither been recycled and it affected the health of the people residing near that area.

(e) Sustainable Development Goals  
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The Sabha had not been informed of the United Nations' Agenda regarding sustainable development goals 2030.

3.2 Management Inefficiencies  
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The stamp fee revenue was not estimated and accounted for the year 2016 and 2017.

### 3.3 Asset Management

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#### 3.3.1 Inactive and under utilized assets

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5 asset subjects belonged to the sabha valued Rs.1,349,850 and 3 unrecognized assets remained inactive.

### 3.4 Procurement

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#### 3.4.1 Procurement plan

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A procurement plan had not been prepared by the sabha for the year under review. The following facts were disclosed.

#### 3.4.2 Internal Audit

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It had not been operated an Internal Audit relevant to the transaction and activities of the Pradeshiya Sabha in accordance to the 06<sup>th</sup> paragraph of circular No04/2015 dated on 18 March 2015 of the commissioner of North Central Province.

#### 3.4.3 Audit and Management Committees

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The Audit and Management Committees was not established and implemented in accordance with the Circular No.DMA/2009 dated 9 June 2009.

## 4. Systems and Controls

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The attention of the sabha had been drawn from time to time by the observed shortcomings during the audit and the following systems and controls have remained of special concern.

<u>Systems</u>	<u>Deficiencies</u>
(a) Budget	(i) Estimated revenue not being collected. (ii) No control over the expenses.
(b) Accounting	Accounting books and records not being maintained properly.
(c) Internal Control	(i) Internal audit not being carried out. (ii) Audit and Management committees not being conducted.
(d) Solid waste Management	Garbage not being disposed properly.