

Nochchiyagama Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 23 April 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 03 September 2020 and 18 September 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph “Basis for qualified Opinion” of this report, the financial statements give a true and fair view of the financial position of the Nochchiyagama 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 Deficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
(i) The cheque for Rs. 423,333 which was received as income relating to the lease of Nochchiyagama Chicken Shop No. 01 and had become dishonoured during the year under review had not been mentioned in the financial statements as debtors.	The dishonoured cheque should be accounted for as debtors.	Agree. This will be corrected in the future.
(ii) Although income from the court fines for the year under review was Rs. 3,752,084, it had been understated by Rs. 276,336 and shown in the financial statements as Rs. 3,475,748.	Court fine income for the year should be accurately identified and accounted for.	Details of court fine income could not be obtained from the relevant institutes.
(iii) The stamp duty income for the years 2013 and 2014 amounting to Rs.802,115 had not been stated in the financial statements.	Stamp duty receivables should be identified and accounted for.	There were no sources to obtain details for stamp duty revenue relating to the years 2013 and 2014.

- | | | | |
|------|---|---|---|
| (iv) | The value of the Bolero purchased on a lease basis for the year 2018 had not been shown in the financial statements and the value of the lease payable for that vehicle as at 31December of the year under review amounting to Rs. 622,822 had been stated. | Assets and relevant liabilities should be stated in the financial statements submitted in accordance with generally accepted accounting principles. | It has been noted in the accounting principles and disclosures that it will not be recognized as an asset until the end of the lease. |
| (v) | Without being correctly identified the direct receipts to Bank of Ceylon Current Account No. 6286999 on 14 occasions amounting to Rs. 822,762, it had been stated in the financial statements as other income. | Deposits received directly by the bank should be accurately identified and accounted for. | Direct receipts were charged to the Sabha fund. |

(b) Contingent Liabilities

Audit Observation

A case filed by an external party against the Sabha for a computable value of Rs. 400,000 and the cases filed by the Sabha against 16 external parties for obtaining money worth Rs. 4,582,557 as at 31st December 2019 had not been disclosed in the financial statements

Recommendation

Contingent liabilities should be disclosed in financial statements.

Comment of the Accounting Officer

Agree.

(c) Non-reconciliation

Audit Observation

The arrears of rent income for the year under review amounted to Rs. 11,675,532, whereas it was Rs. 10,656,567 as per the schedules, thus resulting in a difference of Rs. 1,018,965.

Recommendation

Action should be taken to correct the accounts by reconciling the differences in the relevant balances.

Comment of the Accounting Officer

Agree.
Action will be taken to correct it.

(d) Accounts Receivable and Payable

(i) Accounts Receivable

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
❖ Two account balances amounting to Rs.11,843,472 continued unrecovered for more than a period of 06 years had not been recovered.	Action should be taken to recover the balance due.	Not commented.
❖ Rates of Rs. 714,228 that remained unrecovered for a period of 05 to 21 years from 19 government properties had not been recovered.	Action should be taken to recover the balance due.	Not commented.

(ii) Accounts Payable

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The unpaid pension benefits and gratuity balance of Rs. 908,422 which had continued to exist for more than a period of 05 years had not been settled.	Action should be taken to settle the balance payable.	Not commented..

(e) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Acceptable evidence had not been submitted in relation to 04 items of account valued at Rs. 9,269,702.	Evidence confirming the account balance shown in the financial statements should be submitted.	Agree
(ii) Journal entries in relation to the transfer of 52 revenue items valued at Rs. 33,426,347 and 46 expenditure items valued at Rs. 45,627,853 to the income and	Evidence confirming the account balance shown in the financial statements should be submitted.	After balancing the revenue and expenditure accounts of the general ledger, the balance was transferred to the income and expenditure

expenditure account as at 31 December of the year under review had not been submitted.

account and a journal entry was not made for this purpose. Attention will be focused on this matter in preparing the financial statements for the year 2021.

1.4 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance	Recommendation	Comment of the Accounting Officer
-----	-----	-----	-----	-----
	Rs.			
(a) Sub-section 16 (2) of the Audit Act No. 19 of 2018		The annual performance report had not been submitted.	Report should be submitted as per the relevant Act.	Agree.
(b) Motor Traffic Act No. 14 of 1951 Chapter 203 and 204	12,788,184	Five vehicles belonging to the Sabha had been used without registration.	Arrangements should be made for the registration of vehicles owned by the Sabha.	Matter has been referred to the Department of Motor Traffic for vehicle registration.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) F.R. 189	445,483	Two dishonoured cheques had not been dealt with.	Action should be taken in accordance with Financial Regulations.	Not replied.

(ii) F.R.1647(e) - A record of all vehicles owned by the Sabha had not been maintained. Action should be taken in accordance with Financial Regulations. Agree

(d) Public-
Administration
Circulars

Public Administration Circular No. 30/2016 dated 29 December 2016 - Fuel consumption test on 19 vehicles owned by the Sabha had not been carried out. Action should be taken in accordance with the circular. Agree.

02. 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. 13,808,419 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 9,229,079 for the preceding year.

2.2 Revenue Administration -----

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue -----

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	Estimated Revenue	2019			2018			Total arrears at at 31 December
		Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	2,518,970	4,564,085	5,693,730	4,117,848	2,568,970	2,477,805	1,824,083	5,247,493
(ii) Lease Rent	5,752,300	8,595,700	4,656,725	11,675,532	6,455,300	3,863,580	3,518,130	7,736,557
(iii) License fees and services	20,623,900	7,053,647	3,525,331	9,357,077	16,995,700	6,299,480	6,248,120	5,828,761
(iv) Other income	12,296,600	13,212,915	11,787,387	4,017,372	18,251,000	12,030,488	12,950,813	2,592,204
	41,191,770	33,426,347	25,663,173	29,167,829	44,270,970	24,671,353	24,541,146	21,405,015

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, the rates had not been levied by publishing the developed areas in the Gazette notifications.	Action should be taken in accordance with the Pradeshiya Sabha Act.	Evidence of this could not be provided as no file or any relevant source could be found in the office regarding this assessment.
(b) Rates were being recovered on the basis of the assessment made in 2005 and no action had been taken to recover the rates at least on the provisional assessment of new constructions, alterations etc. for a period of 13 years.	Assessments should be revised once in 05 years.	Not commented.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
The revenue that could not be collected as a result of defaulting the payment of rent due to the lack of title certificates of 27 shops built and rented out by the Sabha was Rs. 6,222,900.	Action should be taken to recover the arrears of rent.	This situation has arisen due to a problematic situation regarding the ownership of the lands where these shops are located.

2.2.4 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
According to Rules 59-66 of the Pradeshiya Sabha (Finance and Administration) Rules, 1988, no investigation has been carried out to identify places of business.	Action should be taken in accordance with the Rules..	Not commented.

2.2.5 Other Income

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
(a) No action had been taken to settle the stamp duty due for the years 2013 to 2018 in consultation with the General Secretary and the documents regarding the stamp duty had not been prepared properly.	Arrangements should be made to recover arrears of stamp duty revenue.	It is informed that action will be taken to settle this stamp duty in consultation with the Chief Secretary and to maintain proper records.
(b) The arrears as at 31 December of the year under review for water projects in Ihala Watiyawa, Kukulkatuwa, Horuwila and Nochchiyagama amounted to Rs. 4,017,372, and it was 25 per cent of the average annual billing value of Rs. 15,886,987.	Action should be taken to recover the arrears of water revenue.	Red notices were sent regarding the arrears of water charges in January and action will be taken to recover them by implementing mobile programme for collecting arrears of water charges.

3. 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 in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

By-laws

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
Although by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act to fulfil 28 main functions, by-laws had not been enacted with respect to the relevant matters by 31 December 2019.	Necessary action should be taken to enact by-laws.	Only a few by-laws on matters relating to revenue collection, trade licenses, billboards etc have been adopted and action will be taken to adopt standard by-laws on other matters or make and impose new by-laws.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Although the cheque for Rs. 423,333 received by the Sabha for rent of Nochichiyagama Chicken Shop No.01 had become dishonoured, the arrears could not be recovered.	----- Action should be taken to recover the arrears.	----- Legal action has been taken regarding the dishonoured cheque of Rs. 423,333 issued by the lessee of the Nochichiyagama Chicken Shop No.01. The arrears could not be recovered as the relevant lessee has gone abroad.

3.3 Assets Management

3.3.1 Idle and Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Eight assets belonging to the Pradeshiya Sabha totaling Rs. 14,346,231 and one unit of value unidentified assets remained idle.	----- Idle assets should be made use for the benefit of the Sabha.	----- Plans will be drawn to transfer these assets to other institutions, repair them, auction and use for other projects.

3.3.2 Annual Board of Survey/Stock Verification

Audit Observation	Recommendation	Comment of the Accounting Officer
----- It was revealed that 453 books worth Rs. 93,922 had been misplaced from the library of the Nochchiyagama Pradeshiya Sabha. No action had been taken in that respect according to the Board of Survey, 2018.	----- Action should be taken in accordance with Financial Regulations in respect of the misplaced books.	----- Necessary action will be taken regarding the missing books.

3.3.3 Transactions of Contentious Nature

Audit Observation

In carrying out revaluation by a committee appointed by the Sabha, the value of land and buildings had increased by 205 per cent, machinery by 1082 per cent and vehicles had decreased by 85 per cent.

Recommendation

Evaluation and revaluation should be carried out by a qualified committee.

Comment of the Accounting Officer

As at 31.12.2018, the Sabha has appointed an Board of Survey on Asset, conducted an accurate survey, classified the assets and prepared a financial statement using revalued amounts of assets. The relevant survey report was submitted for audit.