

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of Nochchiyagama Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of Assets and Liabilities as at 31 December 2023 and the statement of Comprehensive Income, statement of changes in Net Assets / Equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Subsection 172 (1) of the Pradeshiya Sabhas Act, No. 15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

I do not express an opinion on the financial statements of the Pradeshiya Sabha. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion due to the significance of the matters described in the section of Basis for Disclaimer of Opinion of this report.

1.2 Basis for Disclaimer of Opinion

I express a disclaimer of opinion on the financial statements based on the matters set out in paragraph 1.6 of this report.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standard for Local Governments, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the financial reporting process of the Pradeshiya Sabha.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Pradeshiya Sabha.

1.4 Scope of the Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

It is my responsibility to issue the report of the Auditor General on the Financial Statements of the Pradeshiya Sabha. However, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements as a result of the matters described in the Basis for Disclaimer of Opinion section.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshhiya Sabha presented are consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented include all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit observations related to the preparation of financial statements.

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Even though the Court fines receivable for the months of October, November and December 2022 had been Rs.2,345,014, it had been understated as Rs.1,466,473.	Accepted.	The accurate value should be accounted.
(b) Although the revenue of stamp duty receivable as at 01 January 2023 had been Rs.2,966,100, it had been overstated as Rs.3,123,849 in the statement of comprehensive income. Moreover, the stamp duty receivable as at 31 December of the year under review had been overstated by Rs.1,476,600.	-Do-	-Do-
(c) Stamp duty of Rs.254,000 confirmed to have been received from Land Registrar's office of Nikaveratiya during the year under review had not been accounted.	-Do-	-Do-
(d) Even though the depreciation of roads, bridges and culverts as at 31 December of the year under review should be Rs.2,385,585, but it had been Rs.4,348,966 and Rs.1,965,381 in the depreciation account and provision for depreciation account respectively.	Accepted.	The accurate value should be accounted.
(e) Even though the balance of 04 types of deposits as at 31 December 2023 was Rs.4,016,574, it had been overstated as Rs.5,046,123 in the statement of assets and liabilities.	-Do-	-Do-

- (f) Even though shop deposits receivable as at 31 December 2023 had been Rs.135,000, it had been understated as Rs.105,000 in the statement of assets and liabilities. -Do- -Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) Even though the balance related to 05 bank accounts as at 31 December 2022 under cash and cash equivalents had been Rs.13,997,242 according to the financial statements, it was Rs.15,699,701 according to Note 11 of the statement of assets and liabilities. As a result of, there had been a difference of Rs.1,702,459.	Accepted.	Schedules should be reconciled with the corresponding reports.
(b) The value stated in the statement of assets and liabilities in relation to 03 asset items, and the value stated in the related schedules had changed by Rs.138,762.	-Do-	-Do-
(c) There was a difference of Rs.233,064 between the balance of 02 items in the cash flow statement of the year under review and the balance as per the schedules related thereto.	-Do-	-Do-
(d) Even though the revenue related to the hiring of 04 machines according to the statement of comprehensive income in the year under review had been Rs.1,509,695, it had been Rs.1,158,475 according to the hiring document, and as a result of that, there had been a difference of Rs.351,220.	-Do-	-Do-

1.6.3 Lack of Written Evidences for Audit

Subject	Amount	Audit Evidence Not Provided	Comments of the Sabha	Recommendation
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(i) Trade license fees receivable	Rs. 147,740	(i) Detailed Schedules (ii) Time Analyses	Comments have not been submitted	Confirmations should be submitted

(ii)	Garbage Duty Receivable	24,000	(i) Detailed Schedules (ii) Time Analyses	-Do-	-Do-
(iii)	Outstanding tender tax revenue	9,539,674	(i) Detailed Schedules (ii) Time Analyses	-Do-	-Do-
(iv)	Library Books	3,100,764	(i) Detailed Schedule (ii) Survey Reports	-Do-	-Do-
(v)	Buildings Constructed after 01 of January 2020	20,029,485	(i) Schedule of Buildings (ii) Project of Construction (iii) Year of purchase	-Do-	-Do-
(vi)	Lands	243,237,730	(i) Schedule of lands	-Do-	-Do-
(vii)	Roads, Culverts and Bridges	23,156,236	(i) Schedule of Roads, Culverts and Bridges (ii) Project of construction and year	-Do-	-Do-
(viii)	Furniture purchased after 01 January 2020	2,999,353	(i) Schedule of Furniture (ii) Project of purchase (iii) Year of purchase	Comments have not been submitted	Confirmations should be submitted
(ix)	Computers purchased after 01 January 2020	4,930,953	(i) Schedule of Computers (ii) Project of Purchase (iii) Year of purchase	-Do-	-Do-

(x)	Office Equipment	1,739,541	(i) Schedule of office equipment (ii) Project of purchase (iii) Year of purchase	-Do-	-Do-
(xi)	Fixtures	8,864,204	(i) Schedule of Fixtures (ii) Project of fixtures (iii) Year of fixture	-Do-	-Do-
(xii)	Plant and Equipment	33,922,281	(i) Schedules of Plants and Fixtures (ii) Project of fixture (iii) Year of purchase	-Do-	-Do-
(xiii)	Adjustments mentioned in the statement of changes in equity	600,208	(i) Balance Confirmations	-Do-	-Do-
(xiv)	Revenue from water bills	12,017,734	(i) Schedules	-Do-	-Do-

1.7 Non-Compliance

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

Instances of noncompliance with laws, rules, regulations and management decisions are mentioned below.

	Reference to Laws, Rules and Regulations	Noncompliance	Comments of the Sabha	Recommendation
(a)	Section 38 (1) (c) of the National Audit Act, No. 19 of 2018	The Secretary of the Sabha, who is the chief accounting officer of the Sabha and the officer, who perform powers and duties, had not properly performed the powers and duties to ensure that financial planning, internal control, maintaining books and accounts, financial management and the system of providing management information were done effectively.	Comments have not been submitted.	Action should be taken according to the provisions of the Act.

(b) Standard By-laws No.
520/7 dated 23 August
1988

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|---------------------------------|---|------|---|
| (i) By-law 20 | Two (02) private establishments were selling chicken in the town of Nochchiyagama without obtaining a license issued by the Pradeshiya Sabha, and the Pradeshiya Sabha had not taken steps to regulate those places. | -Do- | Action should be taken according to the Standard By-laws. |
| (ii) Sub-section 9 of By-law 32 | Even though a fee not exceeding Rs.10 should be charged for every kilogram of meat inspected by the Public Health Inspector, action had not been taken to obtain reports of animals slaughtered within the limits of the Pradeshiya Sabha or to collect those fees. | -Do- | -Do- |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue, which had exceeded the expenditure of the Pradeshiya Sabha, for the year ended 31 December 2023, had been Rs.3,624,575 and corresponding the expenditure, which had exceeded the revenue the previous year had been Rs.7,357,404.

2.2 Revenue Administration

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

According to the information submitted by the Secretary of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year are mentioned below.

Revenue Source	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Deficit as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,755,463	3,904,611	5,549,350	3,750,810	3,244,500	3,484,481	2,741,860	5,395,549
(ii) Rents	10,900,200	13,526,580	12,018,953	17,519,451	10,244,137	7,893,050	7,043,467	16,011,824
(iii) License Charges	1,708,240	1,150,370	1,150,370	147,740	1,750,000	1,568,066	1,568,066	147,740
(iv) Other Revenue	24,823,443	28,816,158	13,266,556	28,045,447	24,239,020	21,258,363	23,399,215	12,495,845
	41,187,346	33,871,139	31,985,229	49,463,448	39,477,657	34,203,960	34,752,608	34,050,958

2.2.2 Performance in the Collection of Revenue

The observations in relation to the performance of the collection of revenue in the Pradeshiya Sabha are mentioned below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
(i) The arrears of rates and taxes had been Rs.3,750,810 as at 31 December of the year under review, and the billing of the year under review had been Rs.3,904,611. As a result, 96 percent of the billing had not been recovered.	Comments had not been provided.	Action should be taken to recover.
(ii) The collection of rates in the limits of the Pradeshiya Sabha is based on the property assessment conducted in the year 2005 and the charging of fees had not been revised according to the transfer of construction rights and changes made during the period of 2005-2023.	-Do-	Action should be taken to assess the property and to charge the fees.
(iii) Action had not been taken to recover the arrears of rates amounting to Rs. 932,443 from a public institution.	-Do-	Recovery should be expedited.
(iv) Legal measures such as the transfer of property had not been taken in accordance with the powers stipulated in paragraph 158 (a) of the Pradeshiya Sabhas Act, No. 15 of 1987 to recover the arrears balances prevailing for a period of 3 to 20 years within the arrears of rates.	-Do-	Legal action should be taken to recover the arrears of rates not recovered.

(b) Rents

The arrears of rental amounting to Rs.1,514,865 to be recovered by 31 December 2023 for leasing out the assets had not been recovered.

-Do-

Action should be taken to recover the arrears amounts.

(c) License Charges

(i) License fees of 01 percent to be recovered from 02 hotels registered with the Tourism Board in the limits of the Sabha amounting to Rs.91,626 had not been collected even by 31 December of the year under review.

-Do-

Recovery should be expedited.

(ii) Action had not been taken to conduct a formal survey street-wise and road-wise in relation to the industries, business establishments, institutions, which should obtain trade licenses, and bill-boards located in the limits and to document the details and to charge accurate rates of charges.

Comments had not been submitted.

Action should be taken to conduct the relevant surveys and recover charges.

(d) Other Revenue

(i) Outstanding water charges amounting to Rs.6,823,873 receivable as at 31 December of the year under review had not been collected from Nochchiyagama, Kukulkatuwa, Horuwila, Ihalawetiyawa water projects belonging to the Sabha.

-Do-

Action should be taken to recover.

(ii) Revenues received from water projects are not sufficient to cover expenses and action had not been taken to revise water charges and to levy charges to cover the minimum of the operating costs and maintenance costs.

-Do-

Action should be taken to revise the charges in a way that is sufficient to cover maintenance costs of water projects.

(iii) The court fines that should have been received from the Chief Secretary of the Provincial Council and other Authorities on 31 December 2023 had been Rs.16,401,637 and stamp duty had been Rs.3,230,600 and billing of stamp duty for the years of 2022 and 2023 had not been carried out.

-Do-

Action should be taken to bill the revenue receivable.

3. Operational Review

3.1 Performance of Functions Assigned by the Act

The matters observed regarding the accomplishment of the functions that should be discharged by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabhas Act, such as, 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 and all amenities within such area, are mentioned below.

Audit Observation	Comments of the Sabha	Recommendation
Even though By-laws could have been enacted to fulfill 30 major matters, under Section 126 of the Pradeshiya Sabhas Act, By-laws had been enacted for those matters even by 31 December 2023.	Comments had not been submitted.	By-laws should be enacted as per the Pradeshiya Sabha Act.

3.2 Identified losses

Audit Observation	Comments of the Sabha	Recommendation
According to the report of the verification of goods in the year 2023, 217 books that were given out of the library had not been received, therefore, action had not been taken to recover the amount that should be spent on replacing those books to the library from the persons responsible.	Comments had not been submitted.	Necessary action should be taken to recover the loss.

3.3 Management inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Even though the Secretary of the Sabha shall authorize the Health Medical Officer to physically inspect the meat shops in Nochchiyagama provided by the Pradeshiya Sabha for the sale of meat on the basis of charging an annual tax, such authorization had not been done in the year 2023.	Comments had not been made.	Action should be taken in terms of the Standard By-laws.

3.4 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The new building constructed prior to 02 years for the Kalayoya Pre-school remained idle and the pre-schools were being operated in 02 unsafe places located in the middle of the Kalayoya Temple grounds.	Comments had not been made.	Action should be taken to use the new building promptly.
(b) Three (03) buildings with a value of Rs.11,695,013 constructed by the Sabha and the quarters, of which the value was not disclosed, remained idle as necessary arrangements had not been made to use and deploy them for the purpose of income generation.	-Do-	Attention should be paid to use.

4. Accountability and Good Governance

4.1. Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
According to the action plan prepared for the year 2023, 05 programmes, proposed to be implemented under community development and health sanitation projects and for which provision amounting to Rs.2,100,000 had been allocated, had not been implemented.	Comments had not been made.	Action should be taken to implement planned projects.

4.2 Environmental Issues

Audit Observation	Comments of the Sabha	Recommendation
A sum of Rs.16,938,732 had been spent for the construction of the garbage center of the Sabha. However, the environment was being damaged due to the informal disposal of garbage, and the Management had not paid enough attention to that matter.	Comments had not been made.	Action should be taken to actively maintain the waste management center.