Nochchiyagama Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Nochchiyagama Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Net Assets /Equity, 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

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 Standards for Local Authorities, 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 Pradeshiya Sabha's financial reporting process.

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.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha ;

- Whether it has performed according to its powers, functions and duties; and

- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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 Pradeshiya Sabha presented is 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 includes 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 on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	07 plots of land belonging to the Pradeshiya Sabha with a total value of Rs. 22,350,000 had not been accounted for under property, plant and equipment.	The issue with the Mahaweli Authority will be resolved and steps will be taken to accounted this property.	The correct value must be accounted.
(b)	02 buildings with a total value of Rs. 1,500,000 had not been accounted for under property, plant and equipment.	The property, plant and equipment of these 02 buildings have not been identified.	-Do-
(c)	Although the balance in the Roads, Bridges and Culverts Depreciation Provision Account as at 31st December 2024 was Rs. 8,942,075, the value of the depreciation provision for roads, bridges and culverts as on that date in Note No. 16 of Property, Plant and Equipment was Rs. 6,449,924, and therefore the annual depreciation value of Rs. 2,492,151 was less and the net book value was also recorded as over by that amount.	An arithmetic error has occurred in the depreciation allowance balance.	The correct value must be accounted.

(d)	In the cash flow statement prepared for December 31, 2024 When calculating cash flow generated from operating activities Adjustments had not been made for the surplus profit on sale of assets of Rs. 297,610.	This value has been adjusted since the surplus and deficit are based on the cash flow from operating activities.	The correct value must be accounted
(e)	The net book value of roads, bridges and culverts shown in the Property, Plant and Equipment notes as at 31 December 2024 was overstated by Rs. 2,492,151.	Since this error occurred only in the presentation of the net book value of roads, bridges and culverts, there was no impact on the financial statements.	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
As at 31st of December 2024, there was a difference in the total value of Rs. 19,057,730 in respect of 02 plots of land as per the board of Survey Report and the Land Schedule and a difference in the total value of Rs. 7,940,381 in respect of 03 buildings as per the Building Schedule.	That the correct values will be used in the re-preparation of the board of survey report.	Corresponding reports should be compared with schedules and corrected.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshiya Sabha (Financial Administration) Rules 5 (6) of 1988	Action had not been taken to collect all the revenue and other fees amounting to Rs. 75,794,517 due to the Pradeshiya Sabha within the stipulated period.	Accepted.	The Pradeshiya Sabha should act in accordance with the Financial Administration Rules.

(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571	Action had not been taken to settle 16 deposits worth Rs. 405,649 pertaining to 2 types of deposits that were over 02 years old.	Accepted.	Action should be in accordance with financial regulations.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 5,851,774 as compared with the excess of revenue over expenditure amounted to Rs. 3,624,575 in the preceding year.

2.2 Revenue Administration

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

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

		2024				2023			
	Source of Revenue	**Estimated Revenue**	**Revenue billed**	**Revenue collected**	**Total Arrears as at 31 December**	**Estimated Revenue**	**R evenue billed**	**Revenue collected**	**Total Arrears as at 31 December**
		Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
(i)	Rates and Taxes	1,705,463	1,705,463	2,609,417	2,777,125	3,755,463	3,904,611	5,549,350	3,750,810
(ii)	Rent	8,680,168	9,560,774	2,637,183	24,083,042	10,900,200	13,526,580	12,018,953	17,519,451
(iii)	License fees	357,740	573,621	573,621	147,740	1,708,240	1,150,370	1,150,370	147,740
(iv)	Other Revenue	17,503,948	12,287,541	11,393,818	7,826,432	24,823,443	28,816,158	13,266,556	28,045,447
		28,247,319	24,127,399	17,214,039	34,834,339	41,187,346	47,397,719	31,985,229	49,463,448

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	**Rates**		
(i)	In accordance with Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, the developed areas within the area of sabha authority of the Pradeshiya Sabha were not specifically identified from time to time and declared as developed rural areas, but rates were being levied based on the property assesment carried out in the year 2005.	In the year 2024, properly was declared a redeveloped rural area and an rates assessment was carried out.	A new assessment should be carried out and steps should be taken to recover the rates.
(ii)	As at 31st of December 2024, an arrears of rates of Rs. 3,750,810 was shown and some of the balances within this arrears had been outstanding for a period of between 03 and 20 years and no steps had been taken under the powers of the Pradeshiya Sabha Act to recover those outstanding balances.	Efforts will be made to recover this arrears by implementing mobile arrears rates collection programs.	Action should be taken to recover the arrears of revenue.
(b)	**Rent**		
	The arrears of rent of Rs. 10,088,574, which were due as of December 31, 2024, for the lease and rental of assets owned by the sabha, had not been recovered.	Legal action has been initiated to collect the outstanding revenue.	Action should be taken to recover the arrears of rent.
(c)	**License Fees**		
	Rs. 147,740 due for trade licenses had not been collected as of 31st December of the year under review.	In the future, efforts will be made to correct this balance by finding sufficient source documents.	Action should be taken to recover outstanding license fees.
(d)	**Other Revenue**		
(i)	The outstanding water charges of Rs.7,826,432 had not been collected as of December 31st of the year under review from the Nochchiyagama, Kukulkatuwa, Horuwila, Ihalawetiyawa and Katupathwewa water projects belonging to the sabha.	That work is underway to collect the outstanding water revenue.	Action should be taken to recover outstanding water charges

(ii)	Court fines of Rs. 23,104,723 and stamp duty of Rs. 5,717,700, which were receivable from the Chief Secretary of the Provincial sabha and other authorities, had not been collected as of December 31, 2024.	The necessary steps are being taken to obtain stamp duty and court fines from the Chief Secretary.	Action should be taken to recover the arrears of revenue.

3. Operational Review

3.1 Performing of Functions Enacted by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 main matters, but by-laws had not been enacted for those matters as at 31st of December 2024.	That action will be taken to enact the remaining by-laws after the establishment of the Pradeshiya Sabhas and the establishment of the Provincial councils.	Action should be taken to enact by-laws.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Action had not been taken to settle the retention amount amounting to Rs. 948,374 relating to 25 industries whose work had been completed between 2021 and 2023.	The contracting societies that carried out the projects have been informed to take the necessary steps to release the by hand retention amount.	Action should be taken to examine the shortcomings in industries and release the retention amount.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
A day care center, a weekly fair and an quarter, all worth Rs. 10 million, built by the sabha, remained idle.	It is expected that publicity activities will be carried out to start the day care center, arrangements have been made to lease the weekly fair for this year, and the quarter will be used for income generation purposes.	Efforts should be made to utilize idle assets.

3.4 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	As at 31st of December 2024, there was a excesses of 10 officers in respect of 04 posts and a shortage of 04 officers in respect of 03 posts in the approved staff of the sabha.	It is stated that due to the permanentization of casual employees in the year 2024, there was a excesses of employees in the primary service category and that the work of the sabha is being carried out by replacing these employees for the shortage positions.	Arrangements should be made to recruit within the approved staff composition.
(b)	During the period from 2004 to 2017, 46 officers who came to serve in the Pradeshiya Sabha had not transferred for a period of 7 to 20 years.	That action will be taken to implement the transfer policy in the future.	The transfer policy should be implemented.

3.5 Management of Vehicle fleet

Audit Observation	Comments of the Sabha	Recommendation
In accordance with paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29th December 2016, a fuel check had not been carried out on 14 vehicles owned by the Pradeshiya Sabha.	Necessary steps will be taken to promptly conduct fuel inspections for all vehicles owned by the sabha.	Action should be taken in accordance with the Public Administration Circular.

4. Accountability and Good Governance

4.1 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
Although the conditions of 2.2 of the Environmental and protection license issued by the Central Environmental Authority to operate the Waste Management Center stated that waste should not be dumped openly on the relevant land, the daily waste collected at the garbage yard was exposed to the environment.	That work is currently underway.	When operating the waste management center, the environmental and protection license must be followed.