

Arachchikattuwa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 02 March 2018 and the Auditor General's Report on those financial statements has been sent to the Chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Arachchikattuwa Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Even though it had been revealed that the revenue and expenditure of the Sabha was being brought to account under accrual basis, tax revenue from fairs had been brought to account under cash basis.

1.3.2 Accounting Deficiencies

The following matters were observed.

(a) Reimbursements of employees' salaries totalling Rs.2,000,000 of the preceding year had been shown as Revenue Aid of the year under review instead of crediting to Accumulated Fund.

(b) Reimbursements of salaries amounting to Rs.711,742 receivable in respect of permanent officers of the Sabha had not been brought to account.

(c) Capital revenue of Rs.2,380,000 received in the year under review after vesting the lands and properties owned by the Sabha in a private party, had been brought to account as recurrent revenue.

(d) The weekly fair at Vijaya Katupotha valued at Rs.450,000 which was constructed under the Deyata Kirula Programme and vested to the Sabha had not been brought to account as an asset of the Sabha.

(e)

1.3.3 Lack of Documentary Evidence for Audit

Items of account that is, staff loans and advances amounting to Rs.275,585 and Rs.280,000 respectively could not be satisfactorily vouched in Audit due to the non-availability of loan files and the details of the payment of advances.

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non-compliance
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(a) Pradeshiya Sabha (Financial and Administrative) Rules-1988		
(i) Rule 5(3)	37,191,866	An adequate internal check had not been carried out in respect of the collection of revenue.
(ii) Rule 5(6)	76,992,518	Action had not been taken by the officers responsible to collect all revenues and other charges recoverable to the Pradeshiya Sabha within the due period.
(iii) Rule 5(7)	-	An internal audit had not been carried out in respect of the financial and stores transactions.
(iii) Rule 218	91,793,638	Action had not been taken to conduct a survey on all lands and buildings owned by the Sabha once in every year.
(b) Financial Regulation 1645 of the Democratic Socialist Republic of Sri Lanka	-	Daily running charts/machinery hours of all motor vehicles used had not been sent to the Auditor General.

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 had been Rs. 11,054,473 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.6,040,231 for the preceding year.

2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue and the arrears of revenue presented relating to the year under review and the preceding year, is given below.

Source of Revenue	Year 2017				Year 2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	----- Rs. 000	----- Rs. 000	----- Rs. 000	----- Rs. 000	----- Rs. 000	----- Rs. 000	----- Rs. 000	----- Rs. 000
(i) Rates and Taxes	3,562	6,365	4,293	10,744	2,749	2,965	4,198	8,672
(ii) Lease Rents	5,133	8,327	8,587	4,738	2,759	6,765	8,329	4,998
(iii) Licenses Fees	1,170	1,554	1,554	-	400	854	854	-
(iv) Other Revenue	48,367	47,575	53,100	35,460	42,127	47,537	12,043	40,994

Note: Collected revenue includes the recoveries from revenue billed for the year and recoveries from arrears of revenue of the preceding years.

2.2.2 Performance in Collection of Revenue

Out of the total arrears of revenue amounting to Rs. 53,100,000 as at 01 January 2017, only a sum of Rs. 13,847,875 or 34 per cent had been collected during the year under review. Out of the revenue billed in the year under review, 84 per cent had been collected.

2.2.3 Rates and Taxes

The following matters were observed.

- (a) Out of the rates amounting to Rs.6,124,514 billed for the year under review, only a sum of Rs.2,080,712 had been collected. It was 34 per cent of the revenue billed.
- (b) Out of the arrears of rates amounting to Rs.7,772,484 as at the beginning of the year under review, only a sum of Rs.1,854,662 had been collected and it represented 24 per cent.

2.2.4 Rents

The following matters were observed.

- (a) Out of the arrears of lease rents amounting to Rs.2,359,714 as at the end of the year under review, a sum of Rs.1,975,201 had been relating to the period from the year 2002 to 2015.
- (b) Action had not been taken for 11 years to recover the arrears of rentals totalling Rs.254,054 recoverable from two stalls at Archchikattuwa.

2.2.5 Court Fines and Stamp Fees

The following matters were observed.

- (a) Out of the stamp fees amounting to Rs.29,066,067 receivable as at 31 December 2017 from the Chief Secretary of Provincial Council, a sum of Rs.10,479,783 remained unrecoverable due to the failure in claiming within 5 years. Further, the estimated values of stamp fees for the years 2015,2016 and 2017 had been brought to account.
- (b) Out of the court fines amounting to Rs.7,481,057 receivable as at 31 December 2017 from the Chief Secretary of Provincial Council, a sum of Rs.2,472,434 remained unrecoverable due to the failure in claiming within 5 years.

3. Operating Review

3.1 Performance

Matters revealed in respect of functions which should have been performed by the Sabha such as regulation and control of 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 Sabha Act, are given below.

(a) By-Laws

Under Section 126 of the Pradeshiya Sabha Act, By-laws had been enacted only for 08 purposes by 31 December 2017.

(b) Functions not performed

According to the functions to be performed by the Sabha as per the Annual Action Plan prepared, 03 programmes of the Health Sector, 06 programmes of the Water Service Sector, 03 programmes of the Community Development Sector and 02 programmes of the Environment Sector had not been implemented as at 31 December 2017.

(c) Delays in performing the Functions

According to the Progress Report as at 31 December 2017, action had not been taken to complete 03 programmes.

(d) Solid Waste Management

The Sabha collects about 4 tons of waste per day while the Sabha had failed to implement a proper procedure to dispose that waste in a regular manner. The waste collected daily was being disposed to a private land in an irregular manner.

(e) Sustainable Development Goals

Even though the Sabha was aware of the 2030 Agenda on Sustainable Development Goals, a proper arrangement had not been made to achieve its objectives.

3.2 Operating Inefficiencies

Twenty four roofing sheets purchased at a cost of Rs.149,100 in the year 2014 for the distribution among the poor families under the Local Government Village Development Programme, had not been distributed among the relevant beneficiaries. Instead, some of the roofing sheets had been used to construct a car park for the staff.

3.3 Human Resources Management

(a) Approved and Actual Cadre

Duties of 04 posts of Revenue Inspectors were being covered up by Road Labourers, while approval had not been received for three library assistants and eight drivers who were employed in the service.

(b) Staff Loans

Loan balances totalling Rs.185,875 recoverable from 39 officers transferred out remained in arrears over a period of 10 years and action had not been taken to recover those amounts.

4. Accountability and Good Governance

4.1 Budgetary Control

Hundred per cent of the provisions made for 5 Objects included in the Budget of the year under review had been saved. The savings of 29 Objects ranged from 18 per cent to 97 per cent and the total thereof was Rs.3,162,135. Further, expenditure had been incurred exceeding the provisions made for 10 Objects.

4.2 Internal Audit

An internal audit on the financial and operating activities of the Sabha had not been carried out for the year under review.

4.3 Unanswered Audit Queries

Replies to an audit query issued in the year 2017 had not been submitted before 28 September 2018.

5. Systems and Controls

Deficiencies observed during the course of Audit were brought to the notice of the Sabha from time to time and special attention is needed in respect of the following areas of control.

System	Deficiency
(a) Fixed Assets	Failure to conduct Annual Boards of Survey in respect of lands and buildings.
(b) Debtors	Failure in taking action to prepare age analysis on debtors and to recover loan balances remained outstanding for a long period.
(c) Staff Loans	Failure in taking action to settle the loan balances of officers transferred out.
(d) Revenue Administration	Failure in taking prompt action to recover revenues such as rates and taxes, lease rent, stall rent, stamp fees, court fines etc..

