

**Nattandiya Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been presented for audit on 05 March 2018 and the report of the Auditor General on those financial statements had 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, the accompanying financial statements give a true and fair view of the financial position of the Nattandiya Pradeshiya Sabha as at 31 December 2017, and of its financial performance for the year then ended in accordance with generally accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Receivable and Payable Accounts

(a) Receivable Accounts

Any procedure had not been adopted by the Sabha for the recovery of an amount of Rs. 18,344,128 in Debtors which prevails for a period of 2 years to 25 years, from the relevant institutions or persons.

(b) Payable Accounts

Action had not been taken to settle an amount of Rs. 2,910,261 which had not been recovered for more than 05 years out of the amount of Rs. 56,398,541 in payable accounts as at 31 December 2017.

1.3.2 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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(a) Pradeshiya Sabha Act No. 15 of 1987	Rs.	
(i) Sections 129 (2) (a) and (f)	15,509,039	Action had not been taken to recover all the rentals that should be received to the Sabha.
(ii) Section 136		- Action had not been taken to recover assessment tax or acreage taxes from tenants of all the lands and buildings that were leased or hired owned by the Sabha and located within the area of the Pradeshiya Sabha.
(iii) Section 158	22,723,733	Action had not been taken to recover arrears amounts by seizing the movable properties owned by persons who default the payment of assessment tax or acreage taxes within the area of the Pradeshiya Sabha.
(iv) Section 159 (1)	258,524	Action had not been taken to seize the movable properties for recovering the rental that should be chargeable from the properties that had been hired by the Pradeshiya Sabha and to take future action in this regard.
(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988		
(i) Rule No. 10 (2)		- Action had not been taken to fix target dates to commence and finalize each project and to take responsibility to check whether each project is implemented in compliance with the targeted dates.
(ii) Rule No. 33		- A list about persons who default the payment of Assessment Taxes had not been prepared at the end of each quarter.
(iii) Rule No. 213	1,146,400	Construction materials had been issued to the Industrial Sector without an issuing order.

- (c) Paragraph 7 of the Public Administration Circular No. 2015/11 of 20 May 2015. 698,650 Even though the officers had been paid the Uniform allowance for the year 2017, any officer or an employee had not served in the Sabha by wearing the prescribed uniform.

2. Financial Review

2.1 Financial Results

As per the Financial Statements presented, the revenue which exceeded the recurrent expenditure of the Sabha for the year ended 31 December 2017 was Rs. 112,911,422 while the corresponding revenue which exceeded the recurrent expenditure in the previous year was Rs. 61,381,092.

2.2 Administration of Revenue

2.2.1 Estimated Revenue, billed revenue, collected revenue and arrears of revenue

- (a). Information on estimated revenue, billed revenue, collected revenue and arrears in revenue presented in relation to the year under review and the previous year are mentioned below.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Revenue Estimated	Billed Revenue	Revenue Collected	Total Arrears as at 31 December	Revenue Estimated	Billed Revenue	Revenue Collected	Total Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i) Assessment and Taxes	20,941	16,679	16,012	22,037	21,052	14,421	19,513	20,022
(ii) Rentals	25,115	20,456	20,861	674	22,897	19,532	19,308	1,079
(iii) License Charges	6,177	11,875	11,859	16	6,002	1,363	1,980	-
(iv) Other Income	200,016	224,768	215,781	226,591	191,807	116,215	72,626	60,612

Note: Collected revenue includes charges made from the billed revenue and charges made from arrears in income during the year.

2.2.2 Performance in the collection of Revenue

Sixteen (16) per cent out of the revenue earned from rates and taxes, 95 per cent out of the revenue earned from rentals and 75 per cent out of other revenue that were billed in the year under review and that were to be charged in relation to the previous years had been collected.

2.2.3 Rates

The following matters were observed.

- (a) Only an amount of Rs. 9,469,016 that is equal to 57 per cent had been collected during the year out of Rs. 16,678,867 that was the billed amount of rates and taxes for the year under review
- (अ) The overall arrears in taxes of the Sabha by the end of the year under review was Rs. 22,037,333 and the collections of rates were not in a satisfactory level.

2.2.4 Court Fines and Stamp duties

The amount of court fines and the amount of Stamp duties to be recovered from the Chief Secretary of the Provincial Council by 31 December 2017 were Rs. 42,191,155 and Rs. 148,362,254 Respectively.

3. Operational Review

3.1 Performance

The matters revealed on 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 under Section 3 of the Pradeshiya Sabha Act are mentioned below.

(a) By-Laws

By-laws for only 13 matters had been enacted by 31 December 2017 under Section 126 of the Pradeshiya Sabha Act.

(b) Action Plan

An annual action plan had not been prepared for functions to be accomplished by the Sabha as per the By-laws enacted.

(अ) Non-performance of Functions

Two works amounting to Rs. 158,316 for which provisions had been allocated for the year under review and for which Agreement had been signed had not been completed even by the end of the year. Thirty Seven (37) per cent of the provisions allocated in the year under review for constructions had been saved.

(८३) **Solid Waste Management**

The greater portion of Waste that had been collected daily within the Areas of the Sabha had directed to the Compost yard and 883 Kg of compost had been manufactured monthly. An income of Rs. 500,000 had been earned annually by selling compost and as a whole, the Sabha had focused its attention on the management of waste by adopting environmentally friendly ways and means.

(९) **Sustainable Developmental Targets**

The Sabha had initiated fundamental steps for the realization of sustainable developmental goals as per “Sustainable Development Agenda 2030” the attention had been focused on the conduct of mobile services, human resource management, motivation of employees as well as the public infrastructure including the development of public thoroughfares. Even though the interested parties in this regard had been identified, an awareness programme had not been implemented. Further, the Sabha had not identified the criteria that were required to regulate the relevant functions.

4. Management inefficiencies

The following matters were observed.

- (a) As stipulated in No. 2 of the Transfer of Stamp Duties Statute (North Western Province) No. 03 of 1994, stamp duties amounting to Rs. 14,970,932 had been lost to the Sabha from the year 1991 to 2010 due to not requesting the stamp duty within the period of 05 years from 31 December in the year of collection.
- (b) The Sabha had not adopted any procedure even by 20 March 2018 to recover the advance of Rs. 600,000 paid to 04 people for the purchase of a land for constructing a cattle slaughter house in the year 2002.
- (c) Cheques amounting to Rs. 502,397 received from 04 persons from the year 2001 to year 2006 as leasing of Sunday fair, rates and rentals for shops had been dishonoured and the Sabha had not taken action to recover the amounts even by the end of the year under review.
- (d) In terms of Paragraph 02 of the Circular No. 1980/46 of 31 December 1980 of the Commissioner of Local Government, the rentals of shops should be assessed at least once in every 5 years. Nevertheless, the assessed amount in the year 2008 had been charged even up to the year 2017 for certain shops leased in the period of 2006-2012.

4.1 Human Resources Management

Approved and Actual Cadre

The following matters were observed.

- (a) Even though the approved cadre was 223, there had been a surplus of 24 employees due to the employment of 247 persons in the service.
- (b) The Post of Secretary belonged to the Executive Staff remained vacant for more than 08 years.

4.2 Operational inefficiencies

The following observations are made.

- (a) An Agreement had not been signed for a shop obtained by the Nattandiya Multi-Purpose Co-operative Society located in the Marawila Super Market Complex.
- (b) Action had not been taken to recover Rs. 111,954, the rental arrears prevailed for a period of 03 months to 08 months for 12 shops located in Marawila Super Market Complex.
- (c) In contrary to Paragraph 07 of the Circular No. 1980/46 of 31 December 1980 of the Commissioner of Local Government, a shop in the Halpanwila Market Complex had been sub leased without obtaining the approval of the Sabha.
- (d) Action had not been taken to recover an amount of Rs. 36,960, which was the rental arrears to be recovered from a shop in Halpanwila Market Complex for the period from April 2013 to June 2016.
- (e) As per Rule 67 of Pradeshiya Sabha (Financial and Administrative) Rules of 1988, charges amounting to Rs. 25,800 for 14 professions and businesses identified through the survey conducted for the year 2017 had not been recovered.

4.3 Transactions of Contentions Nature

In terms of Section (i) of the Pradeshiya Sabha Act No.15 of 1987, all contributions voted by the Pradeshiya Sabha, subject to such limits as may be prescribed for the welfare of the servants of the Pradeshiya Sabha or for any fund or scheme constituted or established for the purpose of granting relief or assistance to officers or servants of the Pradeshiya Sabha in cases of sickness, indebtedness or distress. Even though the Sabha had credited an amount of Rs. 100,000 to this Welfare Fund every year, the aforementioned objectives had not been fulfilled.

4.4 Identified Losses

The following matters are observed.

- (a) Water and electricity had been provided by a common supply without charging for water and electricity from Mahawewa fish stall, pork stall, beef and mutton stalls conducted in a building owned by the Sabha. Accordingly, the Sabha had paid Rs. 14,935 as water charges and Rs. 19,948 as electricity charges for the year under review.
- (b) An amount of Rs. 43,526 had been overpaid due to the payment of an amount of Rs. 870,503 other than paying Rs. 826,977 which was the value of the finished work in paving Kolaniya Road of Mineepitiya, Paluwelgala with tar.

05. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention should be paid on the following fields of control.

Systems

Deficiency

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| (a) Fixed Assets | (i) Not conducting surveys on Lands and Buildings.
(ii) Not maintained a Register on Computer Accessories. |
| (b) Debtors | Action had not been taken to recover old balances of debtors. |
| (c) Creditors | Action had not been taken to settle old balances of creditors. |
| (d) Loans of Employees | Not taking action regarding loan arrears of employees. |
| (e) Budget | Non preparation of a well-timed budget. |