

Puttalama Pradeshiya Sabha

Puttalama District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to the Audit on 28 February 2018, and the report of the Auditor General relating to those financial statements had been submitted to the Chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Puttalam 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 Deficiencies

The following matters were observed.

- a) The sum of Rs. 1,417,800 payable for the repairs on water bowser and tractors, had not been brought to accounts as accrued expenses.
- b) The sum of Rs. 1,297,152 spent on laying paving stones at the precinct of the Sabha and the shopping complex, had not been capitalized.
- c) Library books worth Rs. 371,791 capitalized in the year under review, had not been brought to accounts as financial assistance of donations.
- d) Provision for audit fees had not been allocated in the financial statements of the year under review.
- e) The receivable salary reimbursements of Rs. 105,846 relating to the month of December of the year under review, had not been brought to accounts.

1.3.2 Unreconciled Accounts

The total of the balances of supporting documents and financial statements relating to 04 Items of Account, amounted to Rs. 4,741,122.

### 1.3.3 Accounts Receivable and Payable

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#### a) Accounts Receivable

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The balances of 12 accounts receivable as at 31 December 2017, totaled Rs. 71,813,947, and of that, the total of the balances continued to exist over 05 years, amounted to Rs. 33,264,942.

#### b) Accounts Payable

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The balances of 12 accounts payable as at 31 December 2017, totaled Rs. 37691,245, and of that, the total of the creditors continued to exist over 05 years, amounted to Rs. 6,031,855.

### 1.3.4 Lack of Documentary Evidence for Audit

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As the required information had not been made available, 06 items of account totalling Rs. 231,592,590 could not be satisfactorily vouched in audit.

### 1.3.5 Non-compliances with Laws, Rules, Regulations, and Management Decisions

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

Reference to Laws, Rules, and Regulations	Value	Non-compliances
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	Rs.	
a) Pradeshiya Sabhas Act, No. 15 of 1987		
(i.) Section 129 (2) (a) (f)	32,379.35	Lease rents, license fees, court fines, stamp fees receivable. Action had not been taken to properly recover the advances and salary reimbursements.
(ii.) Section 158	-	No action had been taken to confiscate the movable and non-movable properties of those defaulting taxes so as for the recovery of Rates and acreage taxes in arrears.

(iii.) Section 159 (1)	5,348,059	Action had not been taken to recover the outstanding lease rents in regard to the properties of the Sabha given on lease.
b) Pradeshiya Sabha Rules 1988 (Finance and Administration)		
(i.) Rule Nos. 2 (1) (c) and 3	-	The physical progress of the development programmes for the year under review, had not been made available.
(ii.) Rule No. 66	-	The Secretary had not complied with 150 (4) of the Pradeshiya Sabhas Act.
(iii.) Rule No. 69	-	A register for the sale of lands had not been maintained according to the Format PS – 26 in terms of the provisions of the Section 154 (1) of the Pradeshiya Sabhas Act.
(iv.) Rule No. 81	-	In order to obtain the stamp fees for the Sabha, no requests had been made to the Chief Secretary of the Sabha at the end of each quarter.
(v.) Rule No. 218	-	

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 13,499,271 for the year ended 31 December 2017 as compared with the revenue in excess of the recurrent expenditure amounting to Rs. 24,446,633 for the preceding year.

#### 2.1.1 Financial Administration

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No action had been taken suitably on the bank current account with a balance of Rs. 42,055 that had remained dormant over many years.

## 2.2 Revenue Administration

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

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Information relating to the estimated revenue, billed revenue, collected revenue, and the revenue in arrears for the year under review and the preceding year, is as follows.

Source of Revenue	2017				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	4,733	3,449	5,152	2,059	1,380	1,329	1,493	3,790
(ii) Lease Rents	14,050	9,115	8,261	1,106	8,400	6,705	7,200	4,497
(iii) License Fees	1,500	1,278	1,278	-	5,005	3,221	3,221	-
(iv) Other Revenue	23,560	1,684	1,684	-	29,130	873	873	-

Note : the revenue collected includes the revenue collected out of the billed revenue for the year and the outstanding revenue.

### 2.2.2 Performance in Collecting Revenue

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With revenue billed for the year, 71 per cent of the Rates and 61 per cent of lease rents remained recoverable out of the revenue that remained in arrears in the preceding years.

### 2.2.3 Rates and Taxes

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The following matters were observed.

#### a) Rates

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A programme for the recovery of Rates in arrears had been held in the year under review, and commissions totalling Rs. 115,443 had been paid to the officers following a decision taken by the Sabha. However, the arrears in the Rates totaled Rs. 1,609,707 as at the end of the year under review, and a balance of Rs. 816,009 older than 05 years, included therein.

#### b) Acreage Tax

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Acreage taxes totalling Rs. 449,851 remained in arrears as at 31 December of the year under review. A sum of Rs. 100,862 therefrom had continued to exist over a period of 05 years. Action had not been taken to update the register of acreage tax and identify taxable lands by conducting a survey in the division after 5 years.

### 2.2.4 Lease Rents

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According to the registers, the outstanding lease rents on trade stalls totaled Rs. 1,095,094 as at 31 December of the year under review. Of that, a sum of Rs. 87,318 had continued to exist over 05 years whereas a sum of Rs. 25,833 had belonged to a period ranging from 01 – 05 years.

### 2.2.5 Court Fines and Stamp Fees

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Court fines amounting to Rs. 8,676,109 and stamp fees amounting to Rs. 15,892,495 had remained recoverable from the Chief Secretary of the Provincial Council and the other officers as at 31 December 2017.

## 3. Operating Review

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### 3.1 Performance

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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.

a) Bylaws

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Bylaws had been made in regard to 52 matters as at 31 December of the year under review under Section 126 of the Pradeshiya Sabhas Act. Nevertheless, no bylaws had been made with respect to roads, public health and comfort, and supply of water.

b) Non-allocation of Provision

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As provision had not been allocated through the annual budget in accordance with the annual development plan prepared, activities such as, conducting health and dental clinics for children, providing education for the children not attending schools or with special requirements, gardening programmes, beautification of towns and environment, providing facilities for reading and mobile libraries, publishing roads on the gazette, conserving the reservation area of reservoirs, rating the hotels, and acquisition of sanctuaries, could not be carried out.

c) Failure to Achieve the Expected Level of Output

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A sum of Rs. 940,000 had been estimated for the execution of 11 activities stated in the Action Plan. However, 10 activities with an estimated value of Rs. 820,000 had not been completed. Only one programme had been held by spending only a sum of Rs. 5,250 out of the estimate valued at Rs. 120,000.

d) Abandoned Activities

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Four out of 42 works under miscellaneous projects proposed to be implemented in the year under review, had not been completed.

e) Solid Waste Management

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The following matters were observed.

- (i.) Provision amounting to Rs. 200,000 and Rs. 100,000 had been made in the budget for the year under review in regard to the compost project, and the solid waste management and sanitary facilities respectively. Nevertheless, those projects had not been implemented.
- (ii.) Even though provision amounting to Rs. 80,000 had been made for providing garbage bins and organic fertilizer bins, the relevant programme had not been implemented.
- (iii.) The Sabha had not identified a location to dispose of fecal waste.

f) Sustainable Development Goals

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The following matters were observed.

- (i.) The Sabha had become aware of the United Nation's 2030 Agenda of the sustainable development but only one guideline had been provided in that connection.

- (ii.) Programmes on the alleviation of poverty had not been carried out during the year under review under the projects in progress in terms of Section 6.1 of the National Budget Circular, No. 2/2017 of the Ministry of Finance and Mass Media, dated 25 July 2017.

### 3.2 Management Inefficiencies

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The following matters were observed.

- a) The provincial Committee of Public Accounts had issued a directive on 13 October 2016 that a sum of Rs. 581,272 receivable from 12 persons and institutions relating to the period 2009 – 2013, be recovered from the parties responsible. However, it had not been so done even up to April, 2018.
- b) An outstanding lease rent of Rs. 1,095,094 remained recoverable from 60 old trade stalls belonging to the Sabha. The lease agreements and documents relating thereto, had been misplaced. Furthermore, of those trade stalls, lease rents amounting to Rs. 77,491 had remained in arrears with respect to 03 stalls whilst lease rents on the trade stalls had not been billed for a period ranging from 04 to 05 years.
- c) The lessee of a trade stall located in Thoduwawa, Madurankuliya, had defaulted on lease rents, and a case had been filed by him at the District Court of Puttalama claiming the ownership of the trade stall. As the Sabha had not appeared before the Court, and hence, the verdict had been given in favor of the lessee. However, the Sabha had not taken action to make explanations against the judgement.

### 3.3 Human Resource Management

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The following matters were observed.

- a) The approved cadre of the Sabha was 68. However, the actual cadre as at 28 March 2018 was 111, and of them, 29 employees had been made permanent in terms of Public Administration Circular, No. 25/2014. Eighteen persons had been recruited on service agreements. One post and 08 posts in the secondary and primary grades respectively had fallen vacant. Recruitments had been made for 21 posts on casual / substitute basis external to the approved cadre.
- b) A loan balance of Rs. 359,013 had remained recoverable from 20 employees who had vacated the service, been transferred, deceased, retired, or interdicted during the preceding years.

### 3.4 Assets Management

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#### 3.4.1 Idle and Under-utilized Assets

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The following matters were observed.

- a) Two water bowsers worth Rs. 165,500 had remained parked at the premises of the Head Office without being used.
- b) A stock of machinery worth Rs. 540,361 purchased before the year 2008, had remained idle.

### 3.5 Identified Losses

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A shortage of Rs. 95,680 was observed in the vehicle spare parts during the physical audit test checks conducted on 07 September 2017.

### 3.6 Procurement

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#### 3.6.1 Procurement Plan

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The annual Procurement Plan had not been prepared by the Sabha over many years contrary to Guideline 4.2.1 of the Government Procurement Guidelines.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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The following matters were observed.

- a) Expenses amounting to Rs. 698,702 had been incurred with respect to 02 Objects in the year under review by exceeding the provision.
- b) Provision amounting to Rs. 5,070,000 made under 56 Objects in the budget for the year under review with respect to providing welfare facilities for the people in the division of the Sabha, had either been saved 100 per cent, or transferred to other Objects whilst no services relating thereto had been carried out.
- c) Even though a sum of Rs. 81,300,000 had been allocated on capital expenses, a sum of Rs. 57,709,553 had been saved representing 71 per cent of the total provision.



#### 4.2 Internal Audit

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An internal audit had not adequately been carried out on the financial and operational activities.

#### 5. Systems and Controls

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

System -----	Deficiency -----
a) Fixed Assets	(i.) Failure to conduct a survey on lands and buildings. (ii.) Failure to maintain a register on computer accessories.
b) Budgetary Control	(i.) Failure to implement activities relating to public welfare. (ii.) Provision being saved considerably.
c) Internal Audit	Failure to conduct internal audits.
d) Control of Debtors	Failure to take action for the recovery of old loan balances.
e) Staff Management	(i.) Failure to fill vacancies. (ii.) Failure to take action to recover the employee loans in arrears.