

Puttalam Pradeshiya Sabha
Puttalam District

1. **Financial Statements**

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to Audit on 24 March 2017, whilst the financial statements for the preceding year had been presented to Audit on 26 March 2016. The report of the Auditor General for the year 2016 had been submitted to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In view of the importance of matters referred to in paragraph 1.3 of this report, my opinion is that the financial statements give a true and fair view of the financial position of the Puttalam Pradeshiya Sabha as at 31 December 2016, and its financial performance for the year then ended in accordance with generally accepted Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a.) The values of 02 vehicles belonging to the Sabha, had not been assessed and brought to the accounts.
- (b.) According to the Register of Fixed Assets, a vehicle valued at Rs. 633,500, had been shown as Rs. 896,320 in the financial statements.
- (c.) A stock of machinery valued at Rs. 634,760 that had remained idle, had been included into the fixed assets.
- (d.) As the value of assets granted to 04 persons of the political authority, amounting to Rs. 153,101, had continuously been shown under the fixed assets, the fixed assets had been overstated by that value.

1.3.2 Non-reconciled Control Account

The total of the balances shown in the financial statements relating to 04 Items of Accounts presented for the year under review, amounted to Rs. 5,035,229, whereas the balances of subsidiary registers relating thereto, totaled Rs. 4,476,446, thus observing a difference of Rs. 558,783.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

(a.) Accounts Receivable

- (i) The total of the account balances receivable to the Sabha as at 31 December 2016, amounted to Rs. 94,384,860, and of them, the total of the balances continued to exist for a period of more than 01 year, amounted to Rs. 35,756,214.

- (ii) The value of the current assets that remained unrecovered over an extensive period, amounted to Rs. 918,287 as at the end of the year under review.
- (iii) The reimbursement of salaries amounting to Rs. 17,573,101 with respect to the staff made permanent in October 2014, had not been received even up to March 2017.

(b.) Accounts Payable

Action had not been taken to pay a sum of Rs. 1,124,826 that should have been paid to the Pensions Fund of the Local Government Service by the end of the year under review.

1.3.4 Lack of Evidence for Audit

Evidence adequate for the verification of balances relating to assets and liabilities totalling Rs. 216,213,030 pertaining to 06 Items of Accounts, had not been made available to Audit. Particulars on the goods proposed to be either disposed of, or auctioned in the year under review, had not been made available to Audit.

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

The following non-compliance was observed.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----
Value Added Tax Act, No. 14 of 2002	Action had not been taken to remit Value Added Tax amounting to Rs. 946,880 collected over many years, to the Commissioner General of Inland Revenue even by the end of the year under review.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure, amounted to Rs. 24,446,633 for the year ended 31 December 2016, whereas the revenue of the preceding year in excess of the recurrent expenditure, amounted to Rs. 11,576,410.

2.2 Analytical Financial Review

The increase in the receipt of other revenue had mainly attributed to the improvement of financial result amounting to Rs. 12,870,223.

2.3 Revenue Administration

2.3.1 Performance in Collecting Revenue

The following matters were observed.

- (a.) The revenue estimated for the year under review amounted to Rs. 42 million, but only a sum of Rs. 21 million had been recovered therefrom.
- (b.) Of the taxes amounting to Rs. 3,079,434 that remained due by the end of the year under review, the value of Rates that remained in arrears over a period of more than one year represented 93 per cent, whilst the value of Acreage Tax represented 79 per cent.
- (c.) The stall rent in arrears amounted to Rs. 242,797 by the end of the year under review.

2.3.2 Rates

The following matters were observed.

- (a.) Of the Rates amounting to Rs. 3,780,035 that remained in arrears by the end of the year under review, the amount that remained due for a period of over one year, totaled Rs. 3,079,434.
- (b.) Action had not been taken in accordance with Section 134 of the Pradeshiya Sabha Act, No. 15 of 1987 either to seize the properties, or institute legal action in that connection.

2.3.3 Lease Rents and Stall Rents

Of the lease rents and stall rents amounting to Rs. 4,198,205 and Rs. 242,797 respectively that remained due by the end of the year under review, the lease rents and stall rents that remained due for a period of more than 03 years amounted to Rs. 4,184,565 and Rs. 24,475 respectively.

2.3.4 Court Fines and Stamp Fees

Court fines of Rs. 4,295,299 older than 03 years had remained recoverable. Court fines and stamp fees amounting to Rs. 8,247,433 and Rs. 7,403,913 respectively relating to the period May – November, 2015 had remained recoverable from the Chief Secretary of the Province.

3. Operating Review

3.1 Appraisal of the Performance

The Performance Report for the year 2016, had not been prepared.

3.2 Management Inefficiencies

The following matters were observed.

- (a.) A sum totalling Rs. 581,272 had remained recoverable for renting the Motor Grader of the Sabha to 12 persons and institutions during the period 2009 –

2013. Despite being ordered by the Committee of Provincial Public Accounts Committee on 13 October 2016 that the said monies in arrears be recovered, it had not been done so.

- (b.) The Sabha had not attended the case filed by the lessee at the District Court of Puttalam to take over the ownership of the stall located at No. 17, Thoduwara Road, Madurankuliya for which paying stall rents had been defaulted. Action had not been taken by the Sabha to contradict the verdict returned in favor of the lessee.
- (c.) No suitable action had been taken on 06 telephones worth Rs. 152,845 granted to former members of the political authority of the Sabha.
- (d.) Action had not been to recover employee loans totalling Rs. 602,151 relating to vacation of service, retirement, death, and interdiction.

3.3 Transactions of Contentious Nature

The following matters were observed.

- (a.) The safety fence of the "*Pilisaru*" Project valued at Rs. 602,320 of which the agreed value amounted to Rs. 8,252,999 was not erected on par with the standard. The construction of the deep well valued at Rs. 97,000, had not been commenced.
- (b.) The Agreement had been cancelled by the Sabha in November 2014 due to delays in the construction under the "*Pilisaru*" Project, but an advance amounting to Rs. 300,000 had been paid in March 2016, and later, that amount had erroneously been brought to accounts as a part payment.

3.4 Idle / Underutilized Assets

A stock of machinery valued at Rs. 634,760 had become idle.

3.5 Solid Waste Management

Even though a sum of Rs. 3,178,632 had been incurred on the solid waste management center of which the construction had begun 04 years ago, the project had been abandoned due to non-completion of constructions and failure to install machines. The disposal of 5 - 6 tons of waste being generated daily within the jurisdiction of the Sabha, openly at a land belonging to the Sabha could be detrimental to the environment, and the public health as well.

3.6 Human Resource Management

Despite the approved number of employees for the Sabha being 68, the actual number of employees at present is 100. Four secondary posts, along with 03 primary posts remain vacant, whilst 13 persons had been recruited to 13 casual / substitute posts by deviating from the approved cadre.

4. Accountability and Good Governance

4.1 Establishment of the Audit and Management Committees

According to Letter, No. ව/ප්‍රාලේ/05/03/විගණන කමිටු, of the Chief Secretary of the North Western Province, dated 05 October 2010, meetings of the Audit and Management Committee had not been held.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Pradeshiya Sabha through my audit queries from time to time. Special attention is needed in respect of the following areas of control.

System -----	Observation -----
(a.) Control of Assets	Registers of Assets had not been maintained in an up-to-date manner.
(b.) Revenue Aids	Monies had not been reimbursed on time from the Commissioner of Local Governments, and the North Western Provincial Council.
(c.) Revenue Administration	No action had been taken to recover the revenue on time.
(d.) Accounting	(i) Revenue / expenditure had not properly been brought to the accounts. (ii) Failure to properly maintain the Decision Book. (iii) Registers relating to stamp fees, Court fines, and lease rents, had not been maintained.
(e.) Control of Vehicles	Failure to repair the vehicles / issue fuel properly and systematically.
(f.) Solid Waste Management	In the context of construction of solid waste recycling center being suspended, the waste being generated daily had not been disposed of in an environmentally - friendly manner.