

Chilaw Pradeshiya Sabha
Putlam District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 28 March 2019 and the summary report and the detailed management report of the Auditor General on the financial statement had been issued to the Chairman on 30 May 2019 and 26 July 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Chilaw Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principle.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| (i) The cost of paper advertisements relating to construction of office building of Sabha valued at Rs. 73,312 had not been accounted as fixed assets. | Transaction should be identified correctly and accounted. | The cost of paper advertisements relating to construction of office building of Sabha valued at Rs.73,312 had been accounted as capital expenses in creditors account and accounted as fixed assets. |
| (ii) Receivable amount of Rs.200,000 for development of agricultural roads from the Ministry of Agriculture and Agrarian Development had been accounted as Rs. 2,000,000 in excess of Rs.1.800.000. | Should be brought to account accurately. | Action will be taken to rectify at the preparation of financial Statements in 2019. |

- (iii) The slaughter house which was built in 2017 at a cost of Rs. 1,513,831 had not been accounted as fixed assets. Transaction should be identified correctly and accounted. Action will be taken to rectify at the preparation of financial Statements in 2019.

(b) Non – reconciled Accounts

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| Unreconciled balance totaling Rs. 16,630,907 in 08 accounting items between balances the schedules / subsidiary books and the financial statements. | Action should be taken to correct the accounts reconciling the balances. | It is kindly inform that action will be taken to rectify at the preparation of Financial Statements in 2019. |

(c) Accounts Receivable and Payable

(i) Accounts Receivables

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|--|
| The balances of 05 accounts receivable totaling Rs.170,128,511 at the date of 31 December 2018 include a balance totaling Rs. 31,075,622 over period of three years. | Action should be taken to recover the receivables balances. | The arrears rates and taxes, stamp duty and capital donation had been already loan recovered. Action will be taken to recover the other receivable accounts in future. |

(ii) Accounts Payable

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| The balances of 05 payable accounts totaling Rs.69,887,777 at the date of 31 December 2018 includes a balance of Rs. 229,585 over three years. | Action should be taken to rectify the payable balances. | Action will be taken to rectify the trade creditors at the preparation of financial statements in 2019. |

(d) Lack of documentary Evidence for Audit

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| ----- | ----- | ----- |
| The evidences had not been presented to audit for 02 items totaling Rs.196,588,536. | The evidence to confirm the balances shown in financial statements should be provided. | The fixed assets register, survey reports and the schedule of assets will be correctly prepared and submitted after appointing a board of survey for land and building in 2019 and report received. |

1.4 Non-compliances**Non-compliance with Laws, Rules, Regulations and Management Decisions**

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

| Reference to Laws, Rules, Regulations and Management Decisions | Non-compliance | Recommendation | Comments of the Accounting Officer |
|---|--|---|--|
| ----- | ----- | ----- | ----- |
| Pradeshya Sabha Rules of 1988 (Financial and Administration) | | | |
| (i) Rule No. 217 | A register had not been maintained and up dated for all land and building used by the sabha and resides by sabha . | A register of load and buildings should be maintain and update. | It is kindly informed that action will be taken to provide the updated register for land and building at the preparation of financial statements in 2019 |
| (ii) Rule No. 218 | A survey had not been conducted every year for all land and building. | Annual survey should be conducted for land and building annually. | It is kindly informed that a action will be taken to appoint a board of survey for land and building in every year. |

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

| | | | | |
|------|----------------|--|---|--|
| (i) | Section 396(d) | Action had not been taken in respect of 10 cheques issued but not presented over 06 months issued. | Action should be taken as per Financial Regulation. | It is kindly informed that action will be taken to adjust in future . |
| (ii) | Section 571 | Action had not been taken in respect of 148 deposits over 02 years. | Action should be taken as per Financial Regulation. | It is kindly informed that a action will be taken to credit to the state revenue listing all the deposits over 2 years after examination in details. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.47,338,780 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.43,296,658.

2.2 Financial Administration

Audit Observation

Recommendation

Comments of the Accounting Officer

The Sabha maintained two savings accounts as Building Development Fund and the Water and Sanitation Fund and the money were kept in savings accounts without transferring to an investment account for higher returns. The balance of those accounts as at 31 December 2018 was Rs.994, 031.

The money in the savings accounts should be invested for higher returns.

It is informed a action will be taken to transfer into the investment account with the approval of the general meeting in 2019.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears below.

| Source of Revenue | 2018 | | | | 2017 | | | |
|-------------------|-------------------|----------------|-------------------|---------------------------------|-------------------|----------------|-------------------|---------------------------------|
| | 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. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 |
| Rates and Taxes | 5,052 | 4,814 | 4,510 | 2,414 | 4,717 | 4,833 | 4,841 | 2,414 |
| Lease Rent | 10,235 | 12,000 | 11,857 | 714 | 12,410 | 12,367 | 12,332 | 861 |
| License Fees | 2,122 | 3,583 | 3,583 | - | 2,897 | 4,074 | 4,074 | - |
| Other Revenue | 67,276 | 69,663 | 66,609 | 126,943 | 133,775 | 74,932 | 44,028 | 154,402 |
| Total | 84,685 | 90,060 | 86,559 | 130,071 | 153,799 | 96,206 | 65,275 | 157,677 |

- ❖ The collected revenue includes collection of the billed revenue for the year under review and collection from arrears revenue of past years

2.3.2 Performance of Revenue Collection

| <u>Audit Observation</u> | <u>Recommendation</u> | <u>Comments of the Accounting Officer</u> |
|--------------------------|-----------------------|---|
|--------------------------|-----------------------|---|

The billed revenue amounted to Rs. 90,060,827 in the year under review and arrears as at the beginning of the year under review was amount to Rs. 157,676,854. The allocated amount during the year had been Rs. 86,557,944 and accordingly the total collection of revenue was 35 per cent.

Annually billed revenue should be collected in the year.

No comments

2.3.3 Rates and Taxes

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|--|---|
| <p>-----</p> <p>Out of the billed amount of Rates and Taxes Rs. 4,684,624 assessments for the year under review a sum of Rs 3,244,850 had been collected during the year and it was 69 per cent by the billed amount. Out of the arrears of Rates and Taxes amount to Rs. 2,179,075 at the beginning of the year under review and sum of Rs. 1,266,344 had been collected during the year and it was 58 per cent of the arrears amount at the beginning of the year.</p> | <p>-----</p> <p>Billed Rates and Taxes for the year should be collected in the year.</p> | <p>-----</p> <p>A sum of Rs. 408,964 had been collected out of the arrears Rates and Taxes at 31 December 2019 and it is expected to collect the balance in 2019.</p> |

2.3.4 Rent

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| <p>-----</p> <p>(a) Tender rent amounting to Rs.416,398 prior to 2012 and rest room, rent amounting to Rs.181,347 were to be collected.</p> | <p>-----</p> <p>Action should be taken to recover arrears of revenue immediately and should be come to tax agreements to mitigate this situation in the future.</p> | <p>-----</p> <p>the reply not received for the letter of demand for the amount to Rs 181, 347 since 2014, It has been handed over to a lawyer to file cases. A legal action cannot be taken for Rs 416,398 which was regarding the arrears of several slaughter houses coming from 2012. There for resolution had been passed by the Sabha to write off.</p> |

2.3.5 Court Fines and Stamp Duty

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|---|
| <p>-----</p> <p>The court fins and stamp duties receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018 were amounting to Rs. 37,309,402 and Rs. 117,092,284 respectively.</p> | <p>-----</p> <p>Action should be taken to collect the court fins amd stamp duties.</p> | <p>-----</p> <p>The court fins amounting to Rs. 25,800,000 and stamp duty amounting to Rs. 400,000 had been collected. Action will be taken to collect the balance.</p> |

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services, public roads and comfort, facilities and welfare of the people under Section 3 of the Act of Pradeshiya Sabha are given below.

(a) By - Laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though in terms of Section 126 of the Pradeshiya Sabha act, a pradeshiya sabha should imposed by-laws and perform the services to the public, By – laws had not been imposed for manage the roads, land and property of the Sabha

Action should be taken to impose by-laws for public welfare

Action will been taken to enact by – laws in the future.

(b) Activities not Implimented

Audit Observation

Recommendation

Comments of the Accounting Officer

Thirty sex works amounting to Rs.13,370,000 for which provision were made by the annual budget had not been done.

Action should be taken to Identify the actual needs and requirements at the preparation of the annual budget.

Although provisions were made for these tasks pointed out by the auditors. the relevant tasks could not be done.

(c) Solid Waste Management

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though the Sabha has carried out an organic fertilizer production project for the recycling of garbage, In the end, the Sabha did not have a place to dispose the remaining garbage. The balance garbage under the project it was planned in the year under review for purchasing and marketing of non-decaying garbage and solid waste management, the project to minimizing the use of polythene and to distribute of reusable bags to the community in the Sabha area had not been implemented.

The permanent a methodology should be found to dispose garbage.

Kindly informed action will be taken to found a permanent methodology to dispose garbage.

(d) Sustainable Development Goals

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| ----- | ----- | ----- |
| (i) The Sabha had the knowledge about the United Nations "Sustainable Development Agenda 2030" and 2 sustainable development goals about providing relief to the people as soon as possible in the event of a disaster and promoting gender equality in the area had been performed. | Action should be taken to Identify and performe the sustainable development goals that the Local Authorities can achieve. | No comments. |

3.2 Management Inefficiencies

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| ----- | ----- | ----- |
| (a) Even though the lease rent had been properly paid by five stalls Madampe new bus stand for the period from 01 January 2017 to 31 December 2019 which was built by the Puranaguma Project, the stalls had not been opened even up to of 15 May 2019. | Action should be taken to stalls lease out rent and open. | One stall had been handed over to the Sabha. Notices were given the other stall were also open. |
| (b) Thirty nine money orders amounting to Rs. 27,000 received in 2017 for registration of suppliers in 2018 and a sum of Rs 2,500 received in previous year, had not been realized even as at 30 April 2018 and action had been taken in this regard. | Immediate action should be taken relating to unrealized money orders. | Even though the receipts issued in relating to money orders the money has not been remitted to the bank. Further action will be taken in future obtaining the details of the suppliers. |
| (c) The deeds of 11 plots of land which are allocated to the Sabha for public purposes were not taken over by the Sabha, when the lands of the Sabha areas were sold within the period 1997 to 2016. Further action had not been taken to protect these lands by demarcating the boundaries. | Action should be taken to acquire the lands allocated to the Sabha for public purposes by the relevant deeds and to demarcate the boundaries of such lands. | The letters have been sent to the persons in the plots, using the information containing in the deed files relating to the allocated land for public purpose which are sold in the Sabha area from 1997 to 2007 |
| (d) Action had not been taken to identify and taken over by deed the lot of lands to for the public action from the 04 lands lot out and sold in the year 2015 | Action should be taken to identify and take over at the land sale, the lands which are to be handed over to the Sabha for public purposes. | The details of the lands that were sold in the year 2005 are not in the files and action will be taken to find out in future. |

- (e) An advance payment of Rs. 25,000 granted to the Chilaw Divisional Secretary in 2000 for the transfer of the school premises of Inigodawela, had not been settled even by the 15 May 2019. Action should be taken to settle the advance as per financial regulations. It is informed by a letter, that the advance Rs. 25,000 paid by the Sabha to the Chilaw Divisional Secretariat for the acquisition of Maliyadeva Vidyalaya premises in Inigodawela for the Pradeshiya Sabha had been transferred to the revenue of Provincial Council. Accordingly the action will be taken to get released that advance by a resolution in a council resolution.

3.3 Operating Inefficiencies

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| A sum of Rs.416,398 relating leasing out of assets during the period of 2002 to 2011 had not been recovered. Now it there is a doubt other than it can be recovered. | Action should be taken to timely to recover the arrears of leasing. | A sum of Rs. 416,308 had to be covered for 8 shops which were tendered in during the period from 2002 to 2011. It was unable to file cases under Prescription. Also, there is no possibility of finding out agreements signed with shops. |

3.4 Human Resource Management

(a) Vacancies and Excess of cadre

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| There are 27 vacancies in the posts of Secondary and Primary grades and the main post of the Sabha such as the technical officer, Superintendent of works, and the revenue Inspector are also vacant. In addition there were 11 excess in two posts of the secondary and primary grades. | Action should be taken to fill the vacancies. | request had been made for the approval. Actions will be taken to recruit accordingly. |

(b) Staff Loan

| ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|---|--|--|
| Non recoverable staff loan balance at the 31 December 2018 amounted to Rs. 464,957 and the Sabha did not have relating information many of these balances. An age analysis for arrears loan balances had not submitted to the audit | Action should be taken to collect the staff loan and prepare an age analysis for arrears balances. | Action will be taken to prepare the staff loan register accurately and submit the age analysis when the prepare for financial statements in the year 2019. |

3.6 Assets Management

| ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|---|--|---|
| The Sabha does not have an updated list of all lands and buildings belonging to the Sabha and the formal survey of land and building was not been carried out for any years. According to the financial statement of 2018 the value of the land and building was Rs.185, 364,898 and the schedule was submitted only for value of Rs. 179,590,325. Even though provision amounting to Rs.400,000 and Rs,200,000 respectively had been granted in the budget 2017 and 2018 as for identify the land belonging to the Sabha and conduct the land survey, it had not been done in any years and was limited only to the annual action plan and the budget. | Action should be taken to identify the lands belonging to the Sabha and action should be taken to conduct the land survey. | Action will be taken to appoint a board of survey to examine the lands and buildings in the year 2019 and to identify the land. |

3.7 Procurement

| ----- Audit Observation ----- | ----- Recommendation ----- | ----- Comments of the Accounting Officer ----- |
|--|--|--|
| Even though an annual procurement plan had been prepared for the year under review, there were 5 activities with an estimated value of Rs. 1,800,000 which were not complied with procurement plan and annual action plan. | The procurement plan should be prepared in comply with the annual action plan. | Action will be taken to prepare the action plan with procurement plan in 2019. |

4. Accountability and Good Governance

4.1 Budgetary Control

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| <p>The entire amount of Rs. 7,297,000 allocated for 60 expenditure items for year under review had been saved and most of these were related to the welfare, revenue promotion, library services and pre-school activities in Sabha area</p> <p>A sum of Rs 14,730,270 had been saved from allocated amount of Rs. 16,855,00 of 25 objects related to public administration and staff services, health services, physical planning, roads, land building and welfare facilities and the savings of each of these objects were ranges from 50 percent to 99 percent of the provision.</p> | <p>The activities planned to implement by the annual budget must be accomplish.</p> <p>The activities planned to implement by the annual budget must be accomplish.</p> | <p>Most of the development work planned an allocation were provide by the budget of 2018, were unable to perform as the necessary funds were not made available</p> <p>Many of the development activities were planned and allocation were provided in the budget for the year 2018, unable to perform as the required funds were not made available.</p> |

4.2 Internal Audit

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| <p>Although an audit plan had been prepared for the year under review, no audit had been planned carried out during the year relating to contracts. Also audit reports were not made available for audit</p> | <p>An internal audit of contracts should be carried out annually.</p> | <p>Even though the audit on contracts for the internal audit plan has not been included in 2018, an audit will be conducted on the contracts in 2019.</p> |