

**Nattandiya Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Presenting Financial Statements

The Financial Statements for the year 2019 were submitted for audit on 20 March 2020, and the Auditor General's summary report on those financial statements was sent to the Chairman on 30 June 2020 and the detailed management report on 11 August 2020.

1.2 Qualified opinion

Except for the implications of the facts described in the Foundation section for the qualified opinion of this report I am of the view that the financial statements, as well as the financial position of the Nattandiya Pradeshiya Sabha as at 31 December 2019 and It is my opinion that its financial performance reflects a true and fair position in accordance with generally accepted accounting principles.

1.3 The basis for the Qualified Opinion

(A) Accounting Policies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The policy of accounting for capital expenditure had not been disclosed.	Accounting policies should disclose the capitalization of capital expenditure.	Accounting Policy No. 03 deals with the capitalization of fixed assets purchased during the year. I would like to inform that the reason will be mentioned in the above accounting policy.
(ii) Although it has been stated that it is the policy of the Sabha to account for undisclosed income (stamp duty) on the basis of estimates, the stamp duty receipts of Rs.45,061,588 for the previous year, which exceeded the budgeted amount for the year under review, was not credited	Should act in accordance with accounting principles.	During the year 2019, stamp duty income of Rs.45,061,588 has been received for the years 2015, 2016 and 2017. It is a surplus which exceeds the estimated income of those years and there is no method of spending when it is accounted for in the Cumulative Fund. Therefore, the surplus is considered as revenue receipts for the year

to the accumulated fund and was taken into the income for the year under review.

2019.

(B) Contingent liabilities

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
The amount of Rs.2,071,905 due to the Local Government Service Pension Contribution from 1 June 1997 had not been mentioned in the accounts.	Expenses payable should be stated in the accounts.	This has been informed in the letters No. 02/02/02/03 dated 10/10/2019 of the North Western Provincial Commissioner of Local Government but no clear details of the relevant bills have been submitted.

(C) Accounts Receivable and Payable

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(i) The total of 05 account balances receivable as at 31 December 2019 was Rs.166,448,632 out of which outstanding balance over 05 years was Rs.14,687,144. The amount of Rs.47,728 and Rs.43,750 respectively were not mentioned in the accounts as surcharges due to non-payment of instalments to the Employees Provident Fund and Employees' Trust Fund.	Steps should be taken to recover the revenue due expeditiously.	I would like to inform you that necessary steps will be taken to recover the balances due.
(ii) The total of 03 account balances payable as at 31 December 2019 was Rs.89,598,470 out of which Rs.153,124 was payable over 05 years. The surcharge of Rs.43,750 due to the Employees' Trust Fund was also not mentioned in the	Action should be taken to settle the balance due expeditiously.	I kindly inform you that we will be working to write off the deductible debt balances in the debt balance in the coming year.

accounts.

1.4 Non-compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following are the instances of non-compliance with laws, rules and regulations.

Reference to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
A) Pradeshiya Sabha Act No. 15 of 1987 (i) Section 129 (2) (e).	No action had been taken to obtain the due rent of Rs.4,846,576 due to the Pradeshiya Sabha.	Action should be taken to recover the revenue due expeditiously.	Rent is currently being charged.
(ii) Section 135	A list of properties to be released for public, religious, charitable and educational purposes had not been prepared.	A list should be prepared to identify the released property.	I kindly inform you that no such list has been prepared so far as a list of such properties has not been prepared so far as it is not known to compile a list of such properties.
(iii) Section 136	The amount of Rs.20,897,683 had not been collected in arrears assessment and arrears of acreage tax.	Action should be taken to recover the revenue due expeditiously	I would like to inform you that action will be taken to levy assessment tax on the properties belonging to the Pradeshiya Sabha after receiving the new property assessment related

to the new
assessment
revision.

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|------------------------|---|--|---|
| . (iv) Section 159 (i) | No action had been taken to seize the property and recover of Rs.3,182,067 due for the rent of the property belonging to the sabha. | Action should be taken to recover the revenue due expeditiously. | I would like to inform you that action has been taken to recover the relevant amount from time to time. |
|------------------------|---|--|---|

(B) Rules, 1988
Pradeshiya Sabha
(Finance and
Administration)

- | | | | |
|--------------------|--|--|--|
| (i) Rule No. 5 (6) | Relevant officers had not collected all the revenue and other fees due to the Pradeshiya Sabha within the stipulated time. | Action should be taken to recover the due revenue expeditiously. | I kindly inform you that there has been a decline in revenue collection due to the occasional situation during the year. |
| (ii) Rule No. 218 | All the lands and buildings of the sabha were not inspected at least once a year. | A survey should be conducted in accordance with the rules. | A Board of Survey has not been appointed to inspect all the lands and buildings of the Sabha once a year. |

(C) Financial
Regulations of the
Democratic Socialist
Republic of Sri
Lanka

- | | | | |
|---------------------|--|---|--|
| (i) 316 (1) and (2) | Receipts of the Pradeshiya Sabha, leaflets and books of financial value were handed over to an office assistant. | Should act accordance to the laws, rules and circulars. | In the future, I would like to inform you that steps will be taken by a staff officer to record this document and hand it over to the relevant officers. |
|---------------------|--|---|--|

(D) Procurement
Guidelines of the
Democratic Socialist
Republic of Sri
Lanka

Section 9.3.1
 Amended Additional
 19 dated 06
 September 2010

The amount of
 Rs.1,360,100 had not
 been formally
 approved for the
 repair of 04 vehicles
 of the Sabha;

Should abide by
 rules and
 regulations.

I will take further
 action in
 accordance with
 the relevant
 amendment on the
 advice of the
 Commissioner of
 Local
 Government.

(E)Circular No.
2019/02 dated 10th
January 2019 of the
Commissioner of
Local Government,
North Western
Province

(i) Section 18 (i)

Within a period of
 06 months from
 January 1, 2019, the
 correct tenants of 87
 leased shops had not
 been confirmed and
 contracted.

Formal agreements
 should be made
 expeditiously.

It has been
 submitted to the
 Governor for
 approval to extend
 the contract lease
 period for shops to
 25 years, but it has
 not been approved
 yet.

(ii) Section 18 (v)

No new agreement
 had been reached to
 recover arrears from
 the contracted but
 non-paying renters.

Circulars should be
 followed.

If such situations
 arise in the future,
 I would like to
 inform you that
 action will be
 taken in
 accordance with
 Section 18 (v) of
 Circular No.
 2019/02 dated
 01.01.2019 of the
 North Western
 Provincial
 Commissioner.

2. Financial Review

2.1. Financial Results

According to the financial statements submitted, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs.135,454,187 and corresponding to the revenue exceeding recurrent expenditure of the previous year was Rs.142,733,858.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Accumulated Income and Deficit Income

Following is the information on the estimated revenue, billing income, accumulated income and arrears submitted by the Pradeshiya Sabha for the year under review and last year.

C Source of Income	<u>2019 year</u>				<u>2018 year</u>			
	Estimated income	Billed income	Revenue collected	Total deficit as at 31 December	Estimated income	Billed income	Revenue collected	Total deficit as at 31 December
	Rs..000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs 000	Rs.000
Rate and Taxes	17,417	19,359	22,117	20,934	20,259	22,193	20,475	23,692
Lease Rent	28,704	28,643	25,985	4,847	26,303	29,103	28,425	2,189
License fees	5,122	5,878	5,878	-	6,109	5,966	5,966	-
Other revenues	230,568	226,064	340,967	132,778	266,060	255,617	236,668	252,866
	281,811	279,943	394,947	158,559	318,731	312,879	291,535	278,747

includes income collected from billed income for the year and income collected from arrears.

2.2.2 Revenue collection performance

Audit Observation	Recommendation	Comment of the Accounting Officer
Revenue for the year under review was estimated at Rs.282 million and Rs.395 million including arrears for the previous year had been	Action should be taken to recover the arrears expeditiously.	I would like to inform you that the percentage of the total revenue due with arrears is 51% of the assessment and tax revenue, 84% of the rental

collected. Out of the 280 million rupees billed for the year under review, only 139 million rupees had been collected.

income, 68% of the stamp duty income, 70% of the court fine income and 82% of the other income.

2.2.3 Rates and Taxes

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Out of the assessment tax of Rs.15,494,505 billed for the year under review, only Rs.10,264,098 was collected during the year. It was 66 per cent of the amount billed and at the end of the year under review the total assessment tax deficit of the House was Rs.20,199,818. Out of last year's deficit of Rs.22,953,854, only 35 per cent had been collected in the year under review, while the assessment tax arrears at the end of the year under review were Rs.20,199,818 with a balance of Rs.12,954,273	Adequate steps should be taken to recover the arrears of assessment revenue.	I would like to inform you that the progress of billing revenue collection has been reduced due to the inconvenience caused to the Revenue Inspectors / Revenue Collection Officers in the field to collect revenue due to various circumstances.

2.2.4 Acre tax

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Out of the acreage tax arrears of Rs.697,865 due on 31 December of the year under review, Rs.654,331 was more than five years in arrears.	Action should be taken to recover the arrears expeditiously.	I kindly inform you that action will be taken to inform the Revenue Inspector in the future.

2.2.5 Management Rent

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
As at 31 December of the year under review, the arrears shop rent and lease rent were Rs.4,846,576 Out of which shop rent and lease for more than 05 years was Rs.163,670 and shop rent and lease rent for 01-05 years was Rs.818,161.	Action should be taken to recover the arrears expeditiously.	I will take action to recover the relevant amount.

2.2.6 Court fines and stamp duty

----- Audit Observation -----	----- Recommendation -----	----- Commenting of the Accounting Officer -----
The court fine due from the Chief Secretary of the Provincial Council and other officials as at 31 December of the year under review was Rs.26,880,176 and the stamp duty was Rs.91,102,367.	Action should be taken to recover all relevant fees.	As at 31.03.2020, Rs.24,453,639 has been recovered from court fines. The amount of Rs.36,725,649 has been collected from stamp duty as at 31.03.2020.

3 Operational review

3.1 Performance

Following are the facts revealed under Section 3 of the Pradeshiya Sabha Act regarding the regulation and control of matters relating to public health, public utility services and public affairs, and the performance of the duties of the Sabha which were to be performed by the welfare, convenience and welfare of the people.

(A) By-laws

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Under Section 126 of the Pradeshiya Sabha Act, as at 31 December 2019, the Sabha had adopted 42 by-laws and 07 new by-laws.	Action should be taken to imposed by-laws	Agree with the facts presented.

(B) Action Plan

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Although an action plan for the year under review had been prepared for the tasks to be performed in accordance with the by-laws imposed, it did not comply with paragraph 04 of Public Fiscal Circular No. PED/ RED / 01/04/04/2014/01 dated 17th February 2014	The annual action plan should be prepared in accordance with the circular.	In addition to the development plan for the year 2019, an action plan called the Annual Action Plan was prepared.

(C) Failure to provide funds

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
According to the annual action plan prepared, the Sabha could not fulfil five tasks due to non-provision in the annual budget.	Provision should be made for the relevant projects in accordance with the Annual Action Plan.	Provisions have been made for these programs under other Expenditure Heads.

(D) Activities Outside the Objectives

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
There were 19 tasks that the church carried out outside of its objectives.	Plans should be made prioritizing the need..	Action has been taken to fulfill the requirements of this year with the approval of the Industrial Committee and the General Assembly I further inform that allocations have been made and implemented through Expenditure Head Exchange Estimates.

(E) Abandoned Tasks

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Provisions of Rs.7,834,500 had been made to perform 22 tasks for the year under review but had not been achieved as at 31 December and had been abandoned.	Weaknesses in planning should be avoided and provisions should be made only for essential tasks	-- Although it is stated that 22 tasks which had been allocated Rs.7,834,500 from the annual budget have been abandoned without obtaining the expected results, the money has been used to cover other expenditure items through the Exchange Head Exchange Estimates.

(F) Solid Waste Management

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Garbage collection in the 168.28 sq km Pradeshiya Sabha area was restricted to three zones. Non-recyclable waste had been dumped on a private land and no environmental permit had been obtained for the land. A total of 72 officers were deployed for waste management and Rs.48,890,841 was spent on the relevant work during the year under review. The Sabha had earned a revenue of Rs.2,478,224 during the year through solid waste management.	Garbage collection should be planned without restriction of areas and locations.	I would like to inform you that the waste management in the Sabha area is divided into 03 zones and the services are provided giving priority to the population and the need according to the amount of resources available to the Sabha.

(G) Sustainable Development Goals

Audit Observation	Recommendation	Commenting of the Accounting Officer
The Sabha had initiated several initial steps to achieve the Sustainable Development Goals between 2019-2030.	Further action is required according to the relevant goals.	Agree with the facts presented.

3.2 Human Resource Management

Audit Observation	Recommendation	Commenting of the Accounting Officer
(A) The approved staff for the Council was 223 and there was a surplus of 19 due to the employment of 239. The post of Technical Officer (Special) Grade in the Tertiary Division has been vacant for 7 years and the Sabha had recruited 29 employees on contract basis by exceeding the approved carder.	Action should be taken to fill the vacancies and to approve the surplus.	Recruitment on contract and substitute basis is done with the approval of the Commissioner of Local Government. I would like to inform you that further posts will be forwarded for approval
(B) Out of 32 employees who transferred or left the service in previous years, a balance of Rs.477,282 should have been recovered as employee loan.	Action should be taken to recover immovable balances expeditiously.	I would like to inform you that further action will be taken to recover those arrears.
(C) An amount of Rs.87,319 obtained as bail deposit from 38 employees prior to the year 2014 and Rs.9,850 obtained from another 20 employees as at 31December of the year under review was deposited in the Employees' Deposit Account without investment.	Employee bail money should be invested.	Of these, 11 are still employed and the security must be continued. As no requests have been made so far to obtain the bail money of the 27 persons who are not currently in service, action will be taken to take the revenue of the Sabha. I will invest that money.

4. Accountability and good governance

4.1 Budget Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(A) The provision of Rs.4,375,000 allocated for the service of 23 Expenditure subjects for the year under review had been left over or transferred to other Expenditure subjects and no relevant services had been provided.	The work should be completed using the provisions.	Relevant information regarding non-fulfilment of 15 expenditure items mentioned here is given under 3.1 (e).
(B) Although Rs.4,950,000 had been allocated for the capital expenditure of the Sabha for 07 subjects, they had been left over or transferred to other Expenditure Heads and the relevant functions had not been fulfilled.	The work should be completed using the provisions.	Relevant information regarding non-fulfillment of 06 expenditure items mentioned here is given under 3.1 (e). Provisions were made for the purchase of furniture and other equipment for the town halls, but there was no need to spend on equipment as the head office, there office functions are held in the town hall.

4.2 Internal Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
Adequate internal audit of the financial and operational activities of the House had not been carried out.	Internal audit should be strengthened and implemented.	At present an internal audit unit consisting of 06 members of the Sabha has been established and an internal audit plan has been prepared. Accordingly, an internal audit has been conducted and reports have been submitted.

4.3 Unresolved observations

----- Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>At the end of the year under review, no action had been taken to recover the sum of Rs.600,000 given to 04 persons in the year 2002 for the construction of a slaughter house. Although the Provincial Accounts Committee had instructed on 13 October 2016 to recover from the relevant officials, no action had been taken to recover so far</p>	<p>Act in accordance with the decision of the Accounts Committee</p>	<p>The four persons who received the money have been informed in writing to repay the above amount. One of them has gone abroad and has been informed that necessary arrangements will be made as soon as he arrives. Necessary steps have been taken to take legal action in this regard.</p>