

Puttalam Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presenting Financial Statements

The financial statements for the year 2019 were submitted for audit on 26 February 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 24 July 2020.

1.2 Qualified Opinion

Except for the implications of the facts described in the Foundation section for the qualitative opinion of this report I am of the view that the financial statements, as well as the financial position of the Puttalam 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 Basis for the Qualified Opinion

(A) Accounting deficiencies

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i) It was stated in the accounts that the court fines which had not been accounted for as bills for the year under review were Rs.50,440.	Action should be taken to accounting accurately.	I inform you that the journal entries will be taken into account.
(ii) A stock of street lamps value of Rs. 24,600 in stock as at 31 December of the year under review had not been accounted for.	Action should be taken to accounting accurately.	I kindly inform you that the journal entries will be taken into account.
(iii) An amount of Rs.2,460,762 accounts held from the Sabha Fund for the previous years for the construction and repair of lands not belonging to the Pradeshiya Sabha.	Should be confirmed the accuracy of possession of the land.	I kindly inform you that action will be taken in the future to settle the ownership of those lands.

- | | | |
|--|--|---|
| (iv) The capital expenditure incurred during the year under review was Rs.10,816,480 had not been capitalized. | Action should be taken to accounting accurately. | I kindly inform you that the journal note will be taken into account. |
|--|--|---|

(B) Accounts Receivable and Payable

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i) The total of 23 account balances due as at 31December 2019 was Rs.96,117,145 out of which the total balance over a period of 05 years was Rs.5,966,890.	Action should be taken to recover the amount due expeditiously	I like to inform you that necessary steps will be taken to recover the balances due.
(ii) The total balance of 15 accounts balances payable as at 31December 2019 was Rs.44,908,760 out of which the total balance over 05 years was Rs.2,023,178.	Action should be taken to settle the balance due expeditiously.	I kindly inform you that action will be taken to write off the deductible credit balances in the credit balances in the coming year.

(C) Lack of written evidence required for the audit

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i) Evidence pertaining to 05 account subjects amounting to Rs.192,229,538 had not been submitted for audit.	Evidences should be presented to substantiate the subject matter of the accounts stated in the financial statements.	Relevant documents, balance confirmations, board of survey reports and deeds should be kept up to date and It was also instructed to produce the documents required for the audit.
(ii) The voucher value of Rs.25,250 No. 1302 dated 08November of the year under review was not submitted for audit.	Payment vouchers should be submitted for audit.	I kindly inform you that the relevant voucher will be submitted for audit as soon as it is found.

1.4 Non-Compliances

1.4.1 Non-compliance with laws, rules, regulations and management decisions

The following discrepancies were observed during the audit.

<u>Reference to rules, regulations, regulations and management decisions</u> <u>Pradeshya Sabha</u> <u>Act No. 15 of 1987</u>	<u>Non-compliances</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(i) Section 128	The ownership of 42 properties used by the Pradeshya Sabha had not been taken over.	Should act in accordance with the relevant sections of the Act.	I will take legal action to take over all properties, including all lands, in the future.
(ii) Section 129 (2) (f)	Action had not taken to obtain the lease rent and shop rent value Rs.3,061,208 properly due to the Pradeshya Sabha.	Action should be taken to recover the revenue due expeditiously.	Action has been taken to issue final notices and legal action will be taken as soon as possible.
(iii) Section 136	The amount of Rs.2,392,545 had not collected in arrears of rate and acreage tax.	Action should be taken to recover the revenue due expeditiously	I will take action to collect the rate and acre tax revenue from the bill from next year.
(iv) Section 143	Lands and buildings in the Sabha area of Rs.110,968,234 were assessed every 05 years and no action was taken to levy taxes accordingly.	According to the new assessment, action should be taken to collect revenue.	The relevant assessment is still being levied on the 2005 assessment due to non-receipt of the relevant assessment reports completed in 2019. The Revenue Inspector will make a temporally assessment and charge the relevant fees.

(v) Section 158	No action had been taken to recover the arrears by suspending the property of the tax payers in order to recover the rates and acre tax arrears	Should act in accordance with the relevant sections of the Act.	I will take action to suspend the property in the future or settle the relevant arrears.
(vi) Section 159 (1)	Action had not taken to recover Rs.3,061,208 due for rent of property belonging to the Sabha.	Action should be taken to recover the revenue due expeditiously.	I would like to inform you that legal action will be taken in the future to recover the amount due on the rent of the property belonging to the Sabha.
<u>(B) 1988 Pradeshiya Sabha (Finance and Administration)</u>			
<u>Rules</u> <u>Rule No. 194</u>	Notes in the Inventory of had not been updated	Rules should be followed.	I kindly inform you that action will be taken to update the inventory documents as per the requirements in the future.
(ii) Rule No. 203	No report of the Board of Survey on Property of the Sabha had been submitted.	Rules should be followed.	I kindly inform you that a survey will be conducted in the future and reports will be submitted to the report audit.
(iii) Rule No. 218	No action had been taken to inspect all the lands and buildings of the Sabha at least once every year.	The board of inquiry should be appointed and inspected in accordance with the rules.	I kindly inform you that a Board of Inquiry will be appointed for this purpose in the future.

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

Vehicle log books had not been maintained up to date.

Log books should be maintained up to date.

I kindly inform you that action has been taken to update so far.

(i) FR 1645 (a)

Number of 12 spare parts worth Rs.383,035 had not been returned to the warehouse during the repair of 03 vehicles.

Should comply with Financial Regulations.

I kindly inform you that they will be taken to the store immediately and submitted to the audit with the relevant notes.

(ii) 1647 (a) (b)

1.5 Un-Authorized Transactions with Sufficient Authority

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
Revenue and receivables without formal approval during the year under review had deducted Rs.28,476,615 from profits of previous years.	Formal approval should be required to cut revenue.	I kindly inform you that in the future we will take action to account with proper approval.

2. Financial Review

2.1. Financial Result

According to the financial statements submitted, the revenue exceeding the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2019 was Rs. 27,946,331 and correspondingly, the revenue over the recurrent expenditure last year was Rs. 33,247,648.

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 revenue and arrears submitted by the Pradeshiya Sabha for the year under review and for the previous year.

<u>Income Source</u>	<u>Year 2019</u>				<u>Year 2018</u>			
	<u>Estimated income</u>	<u>Billed Income</u>	<u>Collected Income</u>	<u>Total Deficit as at December31</u>	<u>Estimated income</u>	<u>Billed Income</u>	<u>Collected Income</u>	<u>Total Deficit as at December31</u>
	Rs..000	Rs..000	Rs..000	Rs..000	Rs..000	Rs..000	Rs..000	Rs..000
Rate and Taxes	3,145	3,094	3,002	2,393	1,284	3,585	1,130	2,306
Rent	14,764	13,585	17,796	3,621	13,394	12,560	8,548	7,272
License fees	2,000	2,486	2,486	-	4,300	2,063	20,633	-
Other	79,734	41,943	71,079	73,992	83,645	81,700	69,641	59,933

Income

----- 99,643 =====	----- 61,108 =====	----- 94,363 =====	----- 80,006 =====	----- 102,623 =====	----- 99,908 =====	----- 99,952 =====	----- 69,511 =====
--------------------------	--------------------------	--------------------------	--------------------------	---------------------------	--------------------------	--------------------------	--------------------------

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

2.2.2 Revenue Collection Performance

Audit Observation

Recommendation

Comments of the Accounting Officer

Although estimates were made to collect Rs.100 million in revenue for the year under review, only Rs.94 million had been collected, including arrears for the previous year. Accordingly, the bill collection was Rs.61 million. The revenue arrears which were Rs.70 million last year had been Rs.80 million by the year under review.

Action should be taken to recover the arrears.

No comments.

2.2.3 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

At the end of the year under review, the assessment tax deficit was Rs.1,776,349, leaving a deficit of Rs.936,061 over five years. The sabha had not made a major assessment after 2006 until 2019 and although the Revenue Inspectors were required to make a temporary assessment of the completed buildings and levy assessment taxes, they had not done so.

Steps should be taken to recover the arrears expeditiously and the assessment should be done in a timely manner.

A large deficit in the balance of assessment taxes up to 31.12.2019 is applicable to the properties of the Railway Department and there is an amount of Rs.433292 in respect of those properties. We kindly inform you that we are continuing to recover that amount and other arrears will be recovered expeditiously.

2.2.4 Acre Tax

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The arrears of acreage due from the land owners as at 31 December of the year under review was Rs.616,196 and out of that Rs.359,916 was for more than 05 years. Although section 134 (3) of the Pradeshiya Sabha Act No. 15 of 1987 was required to levy acreage tax on more than one hectare of land in the jurisdiction, the council was not interested in levying it and to conduct a survey of the area every 05 years to identify acre taxable lands the council had not taken action.</p>	<p>Steps should be taken to recover the revenue due expeditiously and relevant surveys should be conducted.</p>	<p>As the amount of money that can be recovered annually is very small due to errors in the acreage tax records, steps will be taken to correct the errors and make bills based on correct values after the planned acre tax survey to be carried out in the future and to remove erroneous bills with the approval of the Minister in charge of the subject. I inform you that.</p>

2.2.5 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>As at 31 December of the year under review, the rent arrears were Rs.3,061,208. Out of which the rent for shops for more than 05 years was Rs.30,525 and for the period between 01-05 was Rs.315,525</p>	<p>Urgent action should be taken to recover the arrears.</p>	<p>Legal action has been taken to recover the rent arrears. I kindly inform you that we will take possession of the property and recover the balance arrears through litigation.</p>

2.2.6 Court Fines and Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>As at 31 December 2019, according to the document, the court fines due from the Chief Secretary of the Provincial Council and other authorities were Rs. 23,137,228 and the stamp duty was Rs.28,045,336.</p>	<p>Steps should be taken to recover court fines and stamp duty.</p>	<p>I kindly inform you that the court will take action to recover the penalty arrears stamp duty in due course.</p>

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 roads, and the performance of the duties of the Sabha which were to be carried out for the welfare, convenience and welfare of the people.

(A) By-laws

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Under Section 126 of the Pradeshiya Sabha Act, by-laws were enacted on 52 key issues.

Action should be taken to impose by-laws.

I kindly inform you that the Puttalam Pradeshiya Sabha has imposed 52 by-laws for important matters under Section 126 of the Pradeshiya Sabha Act.

(B) Action Plan

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Although an action plan (called development plan) has been prepared for the year under review by the Sabha for the functions to be performed by the by-laws, but in accordance with paragraph 04 of Public Finance Circular No. PED / RED / 01/04//2014/01 dated 17th February 2014 did not comply with paragraph 04.

The annual action plan should be prepared in accordance with the circular.

I kindly inform you that in the future action will be taken to prepare an action plan in accordance with the relevant circular.

(C) Failure to Provide Funds

Audit Observation

Recommendation

Comments of the Accounting Officer

According to the annual plan prepared, the church had to perform four tasks They could not be implemented due to non-provision of funds from the annual budget

Arrangements should be made to make provisions for the relevant purposes

I kindly inform you that we will make provisions for the relevant activities in the forthcoming budgets.

(D) Activities Controversial to the Objectives

Audit Observation

Recommendation

Comments of the Accounting Officer

There were 16 activities implemented controversial to the objectives of the Annual Development Plan.

It should not deviate from the objectives of the Annual Development Plan.

I kindly inform you that some industries have done the above and will not act outside the budget except in the event of an emergency in the future.

(E) Failure to Obtain the Desired Output Level

Audit Observation

Recommendation

Comments of the Accounting Officer

Although Rs.146,930 had been spent to complete 10 different tasks mentioned in the development plan, the expected completion level had not been achieved.

Action should be taken to reach the desired output levels while performing the tasks.

Although the total amount of money estimated for the 10 tasks mentioned in the Development Plan 2019 has not been spent, I kindly inform you that there is a surplus of this money as it has not been spent from the Sabha Fund as those programs have been carried out with the involvement of the Sabha Officers.

(F) Solid Waste Management

Audit Observation

An environmental permit had not been obtained for the Sabha's disposal site. Approximately 04 tons of garbage is collected daily and the construction of the solid waste center, which was constructed in 2012 using funds received from the Central Environmental Authority and Sabha funds, had not commenced by the end of the year under review. Although the Pradeshiya Sabha had estimated Rs.100,000 for the collection of garbage tax, it had not been imposed. Expenditure on Solid Waste Management during the year under review was Rs.11,783,645 from the Sabha Fund.

Recommendation

Should be led to a formal waste management process.

Comments of the Accounting Officer

Although the size of the Puttalam Pradeshiya Sabha area is 240 square kilometers, garbage collection activities will be carried out only in the rate zone due to the limited human and physical resources available and in the meantime, kindly inform you that when the rate area is expanded, garbage will be collected in that area.

(G) Sustainable Development Goals

Audit Observation

The Sabha was aware of the 2030 Agenda for Sustainable Development Goals and had initiated a number of initial steps to achieve those objectives.

Recommendation

Action should be taken to achieve sustainable development goals and objectives.

Comments of the Accounting Officer

I would like to inform you that a number of key steps have been taken to achieve the Sustainable Development Goals during the period 2015-2030.

3.2 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

(A) Although the number of employees approved by the Sabha was 104, the actual number of employees as at 31 December of the year under review was 105. In the surplus of 10 primary posts, there were 02 posts of unapproved library workers and office workers.

Action should be taken to fill the vacancies duly and to approve the surplus.

I kindly inform you that the relevant approvals have been referred to the Local Government Commissioner for approval.

(B) An employee loan balance of Rs.35,494 was due from 09 employees who had left the service, been suspended and retired in the previous years

Action should be taken to recover the outstanding employee loan balance expeditiously.

Officers were informed and recovered and also recovered from the relevant guarantors. I kindly inform you that part of the past balances has been recovered.

3.3 Operational Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

(A) Out of 70 stalls owned by the Pradeshiya Sabha, 09 stalls had not been contracted. Although the assessment rent had to be revised every five years, the final assessment of the 46 shops owned by the Sabha was made in 2005. There were also 19 very old contract shops. 28 shops with monthly rent arrears had not been dealt with.

Important documents should be kept safe and the agreement should be made expeditiously.

As the old agreements in these shops have been misplaced, the relevant parties have been informed several times to come to sign the agreement but the agreement has been missed due to the absence of the relevant parties. I will renew the relevant agreements in the future and submit it to the audit.

(B) The advertisements being displayed in the jurisdiction of the Sabha had not been

Documentation should be done in a proper manner and in accordance with a specific

I inform you that the survey has commenced after the audit pointed out that shortcoming. I

surveyed and lists had not methodology. been prepared and the Sabha did not have a specific methodology for that. There was no formal documentation of the charges and no billboards or billboards were not identified.

kindly inform that the relevant divisions have been instructed to identify and report the relevant places. I kindly inform you that action has been taken to update the document as pointed out by the audit

3.4 Asset Management

3.4.1 Failure to document assets

Audit Observation

Only the expenditure incurred on the construction of the building on the lands belonging to the Sabha was accounted for under fixed assets and the value of the land was not assessed and accounted.

Recommendation

The value of the land should be assessed and accounted for

Comment of the Accounting Officer

I kindly inform you that necessary steps will be taken to assess and account for these lands in future.

3.4.2 Non-Acquired Assets

Audit Observation

There were 142 unclaimed properties in the Sabha area, including weekly fairs, libraries, pre-schools, public tube wells, cemeteries and playgrounds. During the period under review, the construction and maintenance of the relevant properties were carried out by the Sabha.

Recommendation

Relevant acquisitions should be made expeditiously.

Comment of the Accounting Officer

Arrangements have been made to acquire a portion of these properties. Relevant government offices have informed us in letters that action will be taken to hand over 17 units. Puttalam and Mundalama Divisional Secretaries have been directed to take over 40 lands to be acquired.

3.4.3 Annual Goods / Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
(A) The Annual Goods Survey of the Sabha was confined to the Head Office, Library and Solid Waste Center.	The annual survey should include all locations.	I kindly inform you that we will conduct relevant surveys in the future.
(B) No action had been taken to remove the misappropriation of goods recommended by the Goods Survey of the previous year from the relevant accounts.	The recommendations of the Board of Survey should be implemented and the documents should be updated.	As per the Board of Survey Report dated 31.12.2018, the recommended items have been auctioned and destroyed but have not been removed from the documents and I kindly inform you that those documents will be updated and submitted to the audit immediately.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
The procurement plan to be prepared under Section 4.2.1 of the Government Procurement Guidelines had not been prepared for the year under review as well as for the previous year.	Procurement guidelines should be followed.	I kindly inform you that from now on, I will ensure that a formal procurement plan is prepared in accordance with 4.2.1 (b) of the Procurement Guidelines 2006.

4. Accountability and Good Governance

4.1 Budget Control

Audit Observation	Recommendation	Comment of the Accounting Officer
The provision of Rs.13,700,000 for 21 capital expenditure items for the year under review had been left as	Action should be taken to complete the planned projects.	Due to various reasons, the Puttalam Pradeshiya Sabha was not able to carry out the projects as planned and I

is or transferred to other Heads
of Expenditure

would like to inform you that
the planned projects will be
carried out in the coming years
after obtaining the financial
allocations as planned.

4.2 Internal Audit

----- Audit Observation

The internal audit of the
Sabha was limited to the
administration of office staff.

Recommendation

Audit should be used to
improve the operational process
and improve the performance of
the organization.

Comment of the Accounting Officer

All financial matters are
examined through internal
control systems and I kindly
inform you that steps will be
taken to improve the existing
internal control systems in the
future.