

**Chilaw Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 29 March 2018 and the Report of the Auditor General relating to those Financial Statements has been sent to the Chairman on 30 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Chilaw 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 cost of 06 constructions amounting to Rs. 1,619,962 of the year under review, had not been capitalized.
- (b) Domestic loans and loans payable to the Development Fund had been overstated by Rs. 274,162 in the financial statements.
- (c) Court fines and stamp fees of Rs. 123,497,590 receivable as at 31 December 2017 had been shown as Rs.129,448,382 in the financial statements.
- (d) Lease rental receivable for the Munneswaram Rest House had been understated in accounts by Rs. 113,612.
- (e) Overstating the interests on fixed deposits by Rs. 190,597 in accounts of the preceding year had not been rectified in the year under review.

1.3.2 Unreconciled Accounts

Differences of Rs.12,366,300 had remained between the balances according to the financial statements and schedules/subsidiary books relating to 07 items of accounts.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover a sum of Rs. 80,102,089 older than one year from accounts valued at Rs. 149,071,908 receivable as at 31 December of the year under review.

(b) Accounts Payable

Action had not been taken to settle a sum of Rs. 11,651,597 older than one year from accounts valued at Rs. 49,746,544 payable as at 31 December of the year under review.

1.3.4 Lack of Evidence for Audit

Two items of accounts totalling Rs. 211,286,263 could not be satisfactorily verified in Audit due to failure in presenting necessary information.

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha Act, No.15 of 1987		
(i) Section 129 (2) (a) and (f)	124,211,262	All court fines, stamp fees and lease rentals receivable to the Pardeshiya Sabha had not been recovered properly.
(ii) Section 136	-	Rates and taxes/acreage taxes of 63 properties leased or let by the Sabha had not been recovered.
(iii) Section 159(1)	620,339	The Sabha had not followed the process of prohibiting movable properties for recovery of rent in arrears.

(b) Pradeshiya Sabha Rules (Finance and Administration) of 1988

(i) Rule 65

A register of defaulters of payment of taxes for business and industries had not been prepared.

(ii) Rule 218

Action had not been taken even once a year to inspect all lands and buildings belonging to the Sabha.

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

(i) FR 396(d)

67,611 Action had not been taken in respect of 05 cheques remained uncashed for more than six months from the date of issue.

(ii) FR 571(2)

1,714,053 Action had not been taken in respect of the balance of the General Deposit Account remained prior to the year 2014.

1.3.6 Transactions not supported by Adequate Authority

Sums of Rs.551,227 and Rs.156,412 receivable relating to 03 and 06 works for the years 2015 and 2016 respectively had been written off to the Accumulated Fund without proper approval.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs.43,296,658 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.50,149,812.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, Actual Revenue and Arrears of Revenue

Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
(i) Rates and Taxes	6,388,200	9,145,867	7,146,898	4,614,577	5,476,000	4,793,694	4,246,949	2,615,608
(ii) Rent	10,890,000	13,038,082	1,956,635	11,637,616	12,975,000	4,048,465	3,957,364	556,169
(iii) Licence Fees	2,773,000	1,170,774	1,170,774	-	2,701,000	5,945,729	5,945,729	-
(iv) Other Revenue	66,870,000	67,064,674	18,474,301	200,525,147	138,885,000	66,439,760	1,095,534	151,934,774

Note :- The collected revenue included recoveries from billed revenue in the year under review and recoveries from arrears of revenue in preceding years.

2.2.2 Performance of Collection of Revenue

Out of the revenue billed for the year under review amounting to Rs.90,419,397 and arrears of revenue of the preceding years amounting to Rs.155,106,551, only a sum of Rs.28,748,608 had been recovered. The arrears of Rs.155,106,551 as at the end of the preceding year had been Rs.216,777,346 by the end of the year under review.

2.2.3 Rates and Taxes

Only 61 per cent of the billings for the year under review and arrears of revenue of the preceding years had been recovered. A balance of Rs.177,983 had been recoverable since before the year 2012.

2.2.4 Rents

Out of billings for the year under review and arrears of revenue in the preceding years, a minimum value of 14 per cent had been collected and a balance in arrears of Rs.416,397 had been recoverable since before the year 2011.

2.2.5 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December 2017 from the Chief Secretary of the Provincial Council amounted to Rs.35,405,307 and Rs.88,092,283 respectively and out of that, a sum of Rs.1,092,283, was stamp fees relating to the year 2012.

3. Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as 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 within the area, are as follows.

(a) By Laws

Even though By Laws should have been enacted for rendering relevant services to the public in terms of Section 126 of the Pradeshiya Sabha Act, By Laws had been enacted for 02 functions by 31 December 2017. Two By Laws enacted, had not been implemented.

(b) Non-achievement of the expected Levels of Output

Provisions of Rs.9,625,000 had been made from the annual budget for executing 33 various functions indicated in the Action Plan and only 06 functions valued at Rs.365,556 had been executed.

(c) Functions abandoned

The following matters were observed.

(i) Three functions for which provisions of Rs.750,000 had been made by the budget of the year under review, had not been implemented.

(ii) Six projects valued at Rs.2,450,000 had been abandoned in the year under review.

(d) Solid Waste Management

The following matters were observed.

(i) The project on sale of non-biodegradable waste and the plan on providing containers for disposal of electronic waste, had not been implemented.

(ii) A part of the waste collected in the area of authority of the Sabha had not been disposed of to a private land and covered with soil.

(e) Sustainable Development Targets

The Sabha had taken action in the year under review relating to a few goals and targets which should be achieved in terms of “Sustainable Development Agenda 2030” of the United Nations.

3.2 Human Resources Management

Five posts and 02 posts respectively of Librarian and Works Administrator approved for the Sabha had been vacant from a period of about 06 years.

3.3 Assets Management

3.3.1 Non-registration of Assets

The Register of Lands and Buildings had not been maintained in an updated manner and clear deeds of existing lands had not been available with the Sabha.

3.3.2 Idle/Underutilized Assets

A stock of stored goods valued at Rs.234,051 had remained in stores since before the year 2015 without being made use of.

3.4 Procurement

3.4.1 Supplies and Services

According to the Procurement Plan prepared by the Sabha, purchases, constructions and repairs not complied with the annual budget totalled Rs.55,828,000.

3.4.2 Contract Administration

Out of 73 projects commenced in the year under review, works of 18 projects valued at Rs.3,600,000 had not been completed.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

(a) A sum of Rs.1,057,915 had been spent from the Sabha Fund for 02 Capital Objects which had not been approved.

(b) A sum of Rs.10,019,000 made for welfare activities, had been saved completely.

5. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time and special attention is needed in the following areas of controls.

System	Deficiency
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(a) Collection of Revenue	Failure in taking action according to the Pradeshiya Sabha Act relating to recovery of arrears of revenue.
(b) Assets Management	Failure in taking action relating to idle assets
(c) Staff	Failure in filling of vacancies
(d) Stocks	Failure in taking closing stocks to accounts