

**Puttalam Urban Council**

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**Puttalam District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 May 2019 and 26 July 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of 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 Puttalam Urban Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Deficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) Languages allowance had to be receivable amounting to be receivable amounting to Rs.48,168 as at the year 2016 and a sum of Rs.5,560,000 paid to the permanent staff under the Public Administration Circular No.25/2014 had been received during the year 2017, but it had been shown as receivable in the accounts for the year under review.	Should be Correctly brought to account.	Action will be taken to rectify this error by Journal Entries.
(ii) Provisions had not been made for receivable amounting to Rs.10,363,588 from the Ministry	Action should be taken to brought to accounts in correctly.	Action will be taken to rectify the mistakes in the accounts by Journal entries

of City Planning and Water Drainage for the development of Nelumkulam playground and payables amounting to Rs.8,863,588.

including into the debtors accounts. Out of the payable amounts a sum of Rs.1,500,000 had been shown in the other creditors.

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| (iii) | Difference amounting to Rs.31,680,218 between Fixed Assets Account of the previous year and contribution from the Income Capital Input Account without identify the difference debit made to the Cumulative Fund and a difference of Rs.22,133 was observed at the end of the year under review. | Action should be taken to identify the differences and correct it. | Action will be taken to identify the reasons for this difference and to report it. |
| (iv)  | Old miscellaneous deposits amounting to Rs.12,813,361 had been shown as a receivable current assets.   | Action should be take to correct the accounts.                     | Will be rectified by Journal entries.  |

**(b) Receivable and Payable Accounts**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) Receivable balances value amounting to Rs.46,938,516 had elapsed period of 3 years as at the end of the year under review.	Action should be take to collect the receivable income quickly.	This is error in the computer soft ware which is use this and the correcting it is in function to collect the identified outstanding income.
(ii) Payable balances value amounting to Rs.31,489,091 was outstanding more than 3 years period as at the end of the year under review.	Action should be take to settle the out standing balances quickly.	Action will be take to settle these outstanding payable balances.

(c) **Lack of Necessary Documentary Evidence for Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Nine items of accounts aggregating to Rs.268,091,801 relevant evidence had not presented to audit.	Action should be taken to present the relevant evidences to the audit.	Necessary audit evidence will be present in future.

**1.4 Non compliance**

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Urban Council Ordinance (Statute 255) (i) Section 33	Records in confirming the ownership of the assets belonging to the Council had not presented.	Correcting the short comings in the records confirming the ownership in connection with the assets belonging to the council should be presented to audit.	There are short comings in the records confirming the ownership action will be taken to correct those.
(ii) Sub section 178(1) and (2)	Eventhough, Supplementary estimate with the object codes amounting to Rs.375,000 had been presented but income sources had not shown for that expenses.	Supplementary estimate should be prepared obtaining the revenue sources.	Not comments.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) F.R.565 (3), (4) and (5)	The balances of the previous years' deposit	Action should be taken as per the	Action will be taken to rectify.

Ledgers should be brought forward, action had not been taken like that and prepared the General 71 form and the statement of summaries of monthly deposits had not been presented to the Auditor General.

Financial Regulation.

(ii) F.R. 571

Action had not been taken in respect of deposit balances value amounting to Rs.14,685,157 which were elapsed more than 3 years period of time at the end of the year.

Action should be taken to settle the deposit balances in quickly.

Action will be taken to settle these deposit balances.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.40,213,251 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.67,221,862.

### **2.2 Revenue Administration**

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#### **2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**

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Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	23,933	24,143	12,660	90,493	24,733	24,185	7,949	95,561
Rent	28,000	28,000	27,568	18,007	55,017	39,048	36,254	30,896
Licence Fees	1,000	1,000	848	152	910	1,032	1,032	-
Other Revenue	28,140	28,140	10,332	17,809	91,628	112,592	76,504	150,438
<b>Total</b>	<b>81,073</b>	<b>81,283</b>	<b>51,408</b>	<b>126,461</b>	<b>172,288</b>	<b>176,857</b>	<b>124,739</b>	<b>276,895</b>

- Collections made from the revenue billed for the year under review and collections made from the revenue billed from the arrears revenue of the previous years are included within the collected income.

### 2.2.2 Rates and Taxes

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#### Audit Observation

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Out of the billed rate amount of Rs.24,143,551 in respect of the year under review only Rs.5,982,182 had been collected during the year. That was 28 per cent and the outstanding whole rate was Rs.106,308,257 as at the end of the year under review.

#### Recommendation

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Steps should be take in quickly to collect the outstanding income.

#### Comments of the Accounting Officer

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Such, a situation had been occurred because of the shortcomings in the records and deficiencies in the posts. Action will be taken to rectify this situation in future.

### 2.2.3 Rent

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#### Audit Observation

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Outstanding stall rent as at 31 December of the year under review was Rs.2,577,873 and action had not been taken as per the section 3 of the rent agreements.

#### Recommendation

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Action should be done as per the agreements.

#### Comments of the Accounting Officer

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Rectify in future.

### 2.2.4 Licence fees

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#### Audit Observation

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According to the Register of Trade Licence Income there was not observed a outstanding balance but according to the schedule of outstanding income and the reports on survey there had remained a balance of Rs.152,000.

#### Recommendation

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Action should be take to collect the relevant outstanding amounts.

#### Comments of the Accounting Officer

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There may be differences between the annual survey reports and the licence obtained by the business.

### 2.2.5 Other Revenue

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#### Audit Observation

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Tender income of Rs.1,029,527, court fines of Rs.729,185 and daily fair fees of Rs.9,929,300 were outstanding more than 3 years according to the outstanding other revenue schedule.

#### Recommendation

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Action should be taken to collect the receivable other income in timely.

#### Comments of the Accounting Officer

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Action will be take to collect in future.

### 2.2.6 Court Fines and Stamp Fees

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#### Audit Observation

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Stamp fees of Rs.22,771,442 was receivable from the Chief Secretary of the Provincial Council as at 31 December 2018 and Court fines belong to the Council necessary action had not been taken to identify and to collect it.

#### Recommendation

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Steps should be taken to collect the Court fines and stamp fees.

#### Comments of the Accounting Officer

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Action will be take to collect.

## 3. Operating Review

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### 3.1 Performance

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The following matters were revealed regarding functions to be performed by the Council in terms of Section 4 of the Municipal Council Ordinance such as regularization and control of matters relating to public health, public utility services and public highways, health of the public, facilities and welfare etc.,

(a) **Bye- Laws**

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**Audit Observation**

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Although bye-laws had been enacted to for fulfill of 15 major matters but only bye-laws had not been implemented even as at 31 December 2018.

**Recommendation**

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Action should be taken to create bye-laws.

**Comments of the Accounting Officer**

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Action will be taken to rectify.

(b) **Action Plan**

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**Audit Observation**

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(a) Eventhough, an action plan had been prepared in respect of the tasks had to be fulfill by the Council for the year under review (Namely Development Plan) but it was non compliance to the paragraph 4 of the Public Finance Circular No. PED/RED/01/04/2014 /1 dated 17 February 2014.

**Recommendation**

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Action should be take to prepare the action plan as per circulars.

**Comments of the Accounting Officer**

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Action will be taken to rectify in future.

(b) Action Plan had not been prepared in respect of 16 tasks valued at Rs.659,255,000 which had to be fulfilled by the Council.

Workd should be fulfill by the Council make include into the Action Plan and steps should be taken to fulfill those in timely.

It is inform action will be take to prepare an action plan as per the manner provisions allocated in the future.

**(c) Provisions not allocated**  
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**Audit Observation**  
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Provisions had not been allocated by the Annual Budget for the 8 tasks which are to be fulfill by the Council according to the prepared Annual Development Plan, that tasks could not be fulfilled.

**Recommendation**  
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Make the Provisions from the annual budget for the tasks which should be fulfill by the Council action should be take to fulfill that works in quickly.

**Comments of the Accounting Officer**  
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Action will be take to not happen this deficiency in future.

**(d) Expected output Limit not Achieved**  
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**Audit Observation**  
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Although a sum of Rs.10,778,187 had been spent for the fulfillment 8 various tasks which had shown in the Development Plan expected output level had not been achieved.

**Recommendation**  
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Action should be take to fulfill the relevant works in quickly as per the Development plan.

**Comments of the Accounting Officer**  
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Guarantee will be take to not happen this situation in future.

**(e) Relinquished Tasks**  
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**Audit Observation**  
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Although provisions amounting to Rs.1,675,000 had been provided for the year under review but there were 07 tasks which had not obtain the benefits even as at the date of 31 December.

**Recommendation**  
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Steps should be take to fulfill the works in timely where the provisions had been made as per the Budget.

**Comments of the Accounting Officer**  
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Action will be take to rectify this deficiency in future.

**(f) Solid Waste Material Management**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
About 69 garbage tons has being gathering for a week within the boundary of the Puttalam Municipal Council area and out of that refer for the manufacturing of organic fertilizers ¼ (12 tons) of the quantity. Balance garbage stock has remove to a open place. Although about 3.15 tons organic fertilizer has being manufacture in the Garbage Management Centre for a week but sales has being done about 225 kilograms of fertilizer for a week. Also, water for the Garbage Courtyard had been supplied by water bowsers and electriclity had not been obtained. Therefore fertilizer Dropping Machine could not be used.	Special attention should be refer in connection with management of the garbage obtaining the electricity in quickly.	Electricity power had been obtained at present and action will be taken to carry on the activities in successfully.

**(g) Sustainable Development Goals and Targets**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) Although the Council had been aware of the 2030 Agenda for Sustainable Development following observations are made in connection with that. Sustainable Development goals and targets had been identified as follows and for measurement of	Action should be done in quickly to identify the indicators agenda of the sustainable development relating to sustainable development objectives and targets.	Awareness has been obtain by awareness programmes future works has being carry on by correcting the existing short comings.

those regulations had not occur and the indicators had not been identified.

Goals -----	Target -----
Minimize the poverty.	Remove the poverty
Doing the environmental programs.	Protect the environment
Empowerment disable persons	Energy to the your self life.

(ii) Although it had been identified the parties who are show the interest in connection with achieving the sustainable goals and targets but awareness programme had not been implemented.

creation of unity in the community.

Creation of unity among various nations.

(iii) Regulations of the relevant activities the landmarks had not been identified to measure sustainable development objectives and targets and necessary turning points had not been identified by the Council.

**3.2 Management Inefficiencies**  
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**Audit Observation**  
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**Recommendation**  
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**Comments of the Accounting Officer**  
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(a) According to the primary report of the investigation

Action should be taken according to the financial

Action has being taken to give its report and primary

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| <p>had been done for in connection with catch fire the stores of the Council on the date of 31 December 2018 occurred loss was Rs.948,000 but the report issued by the investigation Board to fulfill the primary investigation called on the date of 15 February 2019 the financial loss was Rs.2,433,668.</p>   | <p>regulations.</p>  | <p>report. After doing a primary investigation in this connection. However, commissioner of the Local Government had informed to appoint a investigation Board again as per financial regulation 104. Therefore necessary action will be taken to appoint a investigation Board again.</p> |
| <p>(b) The recommendations mentioned in the Board of Survey reports for the year under review and previous years had not been implemented by the council an action had not been taken in connection with misplaced books and goods of the previous year and records/ non inventoried goods.</p>   | <p>Recommendations of Board of Surveys should be implemented.</p>                      | <p>Vacancies in posts had been filled at present and this activities are being carry on.</p>   |
| <p>(c) Although it had been informed to pay to the officers property prohibit 10 per cent commission in connection with go to the field and collection of outstanding money as per the Letter No. 10/ഓപ്പി/എලാ/നട dated 30 August 2002 of North West Local Government Commissioner's two persons had been appointed on contract basis for the post of collection of arrears income of the Municipal Council however in connection with the arrears money paid to the office, commission</p> | <p>Action should be take to paid commission only for the collections in the field.</p> | <p>Action will be take to rectify.</p>   |

amounting to Rs.104,000 had been paid at the rate of 10 per cent during the year under review.

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| (d) | Public Finance Circular No.03/2013 issued on 04 July 2015 revising the financial regulation 31 of 1992 and as per the financial regulation 371 2(b), maximum amount of ad hoc imprest amounting of Rs.100,000 could have give to only staff grade officers for any special occation work. But advances had paid to private institutions and personal exceeding the above mentioned value.  | Action should be done as per the financial regulations.        | Errors will be rectify.   |
| (e) | Unsettled advances balance amounting to Rs.57,347,818 was exist as at the date of 31 December of the year under review and out of that there were unidentified amount of Rs.18,580,150 and a balance of Rs.223,656 which was unsettled since the period of 17 years. Also, advances amounting to Rs.3,444,688 obtained in the previous year was not settled. Therefore action had not been taken to settle the imprest as per financial regulation 371 (5) and 371 6(b). | Action should be take to settle the advances in quickly.       | Action will be taken to rectify this deficiency by the financial statements of the year 2019. |
| (f) | Although a sum of Rs.579,500 as consultancy fees and a sum of Rs.2,000,000 as 20 per cent of the advances had been   | Action should be take to settle the relevant advances quickly. | This advance had been paid by mistake from the Head.  |

gave for the Alpha account, that had not been settled.

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| <p>(g) Real properties which are situated within the boundary of the city limit should be owned to the Urban Council in terms of the section 32, 33 and 34 of Urban Council ordinance (state 255). 35 real properties had been identified by the Urban Council and action had been taken to obtain by the Municipal Council from the list for the period of since the year 1920 upto now which was given by the Governor relevant transfers had not been occurred.</p> | <p>Transfer activities should be done in quickly.</p> | <p>Attempt in being doing in ceaselessly to acquire these real properties belongs to the Puttalam Municipal Council.</p> |
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### 3.3 Human Resources Management

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- (a) Vacancies and Excesses in the cadre.

#### Audit Observation

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Post of the Accountant has existing in vacant from the several years and out of the 64 secondary posts 33 posts had vacant 54 casual posts were in without approval in the Tertiary posts and exceeding approved cadre by approved labourers and servants had been recruited and salaries are being paid.

#### Recommendation

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Action should be take to complete the vacancies in the staff and to obtain the approval for the excess cadre.

#### Comments of the Accounting Officer

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Eventhough relevant informations had been done in connection with this on the reason of non completion of these vacancies situation had been occurred.

**(b) Staff Loan.**  
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**Audit Observation**  
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Recoverable loan balances amounting to Rs.174,530 from 96 servants who were retired, transferred the place and vacated had existing outstanding more than period of 3 years.

**Recommendation**  
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Action should be take to collect the relevant loan balances in quickly.

**Comments of the Accounting Officer**  
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Approval has request from the commissioner of Local Government to estimate these from accounts because of these could not be identified.

**(c) Security of Staff**  
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**Audit Observation**  
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Collect the money on security of staff and had not been invested in the name of Council amounting to Rs.38,698, Rs.6,000 and Rs.16,000 for the years 2008, 2016 and 2017 respectively.

**Recommendation**  
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Action should be take to make the invest the Security of staff and pay back in timely.

**Comments of the Accounting Officer**  
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Agree with the existing position. Action will be taken to rectify.

### 3.4 Idle and Under Utilized Assets

#### Audit Observation

Details on Idle and Under Utilized Assets had belongs to the Council are given below.

Nature of the Assets	value	Existing in Idle and Under Utilized period
	Rs.	
Tractor vehicle 49-9915	350,000	since 2014.
Road Roller	600,000	Time could not fine out.
Road Master HLM 99	14,753	Time could not fine out.
Motor Bike HY 8815	69,950	Since 2015
Motor Bike 156-7580	50,000	since 2014
Motor Bike HH 99	41,500	Since 2013

#### Recommendation

Action should be take to make the repair and use it or disposal.

#### Comments of the Accounting Officer

Steps will be take to check and to fulfill as suitable.

### 3.5 Procurement

#### 3.5.1 Procurement Plan

##### Audit Observation

A procurement Plan had not been prepared as per the Section 4.2.1 of the Government Procuremenr Guideline.

##### Recommendation

Procurement Plan should be prepared.

##### Comments of the Accounting Officer

Action will be taken to rectify in future.

#### 3.5.2 Contract Administration

##### (a) Construction of a Supiri Alpha Trade Complex

##### Audit Observation

An agreement had been entered by the Urban Secretary at the date of 10 June 2015 with the private construction

##### Recommendation

Necessary future actions to be taken to complete the

##### Comments of the Accounting Officer

Accept the future activities of this project had been incompletd.

company for the construction of 4 storied Supiri Trade Complex with 200 stall rooms in the area of 71,179 square feets at the centre of the Puttalam town at value of Rs.337,750,000 and that agreement had been renewed again at the same value on 20 July 2017. Also, an agreement had been entered on 07 August 2014 with the consultancy firm by the Chairman for the service of the consultancy of this project at 2.8 per cent of the contract value and this agreement had also renewed on 20 July 2017. Following observations are made.

- (i) Foundation had been lay and construction of concrete poles in the ground floor only had been done as at the date of 07 January 2018 and the works had been stopped before a year ago.
- (ii) A sum of Rs.1,535,442 had been paid to the consultant Engineer for the preparation of architectural plans of this construction but rendering of consultancy service toward to the company payment be done 2.8 per cent for rending the consultancy which include as 0.2 per cent of expense for the preparing of architectural plans because of that a sum of Rs.675,500 had been paid to both 2 institutions for the same activity.

relevant project in quickly.

Action will be taken to do the future activities of the project by that obtaining from the Local Loan Development Fund and tenders give for the relevant stall rooms.

To fulfill these necessary consultancy works in connection with the construction of this building were difficult to that officers it is informed to us in verbally. Therefore preparation of building plans of this building and for obtain the relevant consultancy to be obtained assistance of a another institute. Therefore, following the precise of the procurement methodology "Aarcoe private company had been selected as the consultancy institution of this project and it is inform a sum of

Rs.675,000 has to be paid to that institution for the new building plan.”

(b) Development of the Nelum kulam play ground  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- A provision of Rs.12.2 million had been allocated for this project from the Ministry of City Planning and Water Supply. Following observations are made.	-----	-----
(i) Eventhough it had been informed, implement the procurement procedure and complete the work before 15 December 2018 and refer the progress of the project to the Ministry of City Planning and Water Supply but work had not been completed even as at 23 May 2019.	Action should be taken to complete the relevant products in quickly.	Such delays had been happened because there is exist only one female field officer.
(ii) It had been informed as 522 Gravel cubes received at the date of 28 December 2018 and a sum of Rs.720,000 had been paid at the rate of Rs.2,400 for 300 cubes gravel. According to the physical verification carried on 10 January 2019 gravel supplied to the site had not been collected as able to take the measure it and supply has made in red category soil.	Collect the gravel belong to the relevant standard measures should be obtained.	Mode of the gravel collect had been changed.
(iii) According to the first part payment claim bill had been prepared send to the Ministry of City Planning and Water Supply, A sum of Rs.1,885,021 had been included as site material although payments had been made for 662 cement bags at Rs.615,780, 3,162	Should be certified goods/ materials were received to the stores before the payment made.	It had not been fulfilled because of the Solar Power Lights were not in Suitable condition.

cement Bricks at Rs.116,994, 40 Solar Power Lights with the capacity of 60w at Rs.780,000 these goods were not in the stores or in the site.

(iv) Water had been filled upto foundation level as at the date of 10 January 2019 and in the area of the supporting wall had fried not use the mixture of cement and sand it was observed only Bricks had been packed.

Construction should be filled as per the relevant standard.

For the foundation in minimum time, minimum cost and in more quality laying granite into that and apply the plaster on that. There after among that granite laying the plaster, in that manner construction works was happened. This was builded in strongly manner as successfully.

**4. Accountability and Good Governance**  
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**4.1 Budgetary Control**  
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**Audit Observation**  
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Eventhough approved total among of expenditure of the budget in terms of the Section 179 of the Urban Council Ordinance (Statute 255) but a sum of Rs.4,797,774 had been exceeded and out of the total provision of Rs.12,985,000 estimates in respect of 27 objects in the area of Council domain and welfare of the Council had saved or had been transferred to another objects.

**Recommendation**  
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Total expenditure approved as per the budget should not be exceed.

**Comments of the Accounting Officer**  
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Allocated money by the budget not enough for same objects and there were no experience officers and responsible persons for these activities and without a proper control this has being implemented.