

**Nattandiya Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Submission of Financial Statements

The financial statements for year 2018 were submitted to the audit on 18 March 2019 and the Auditor General's summary report on those financial statements was sent on 30 May 2019 and the detailed management report in also to the chairman on 10 July 2019.

1.2 Opinion

It is my opinion that the financial statements of the Nattandiya Pradeshiya Sabha as at December 31, 2018 and its financial performance for the year ended 31/06/2013 are generally true and fair in accordance with accepted accounting principles.

1.3 Non-Compliances

Non-compliances with Rules, Regulations and Management Decisions

The following compliances were observed.

<u>Focus on rules, regulations and management decisions</u>	<u>Non-compliances</u>	<u>Recommendation</u>	<u>Comments of Chief Accounting Officer</u>
(a) <u>Pradeshiya Sabha act No. 15 of 1987</u>			
(i) Section 136	Action had not been taken to collect the assessment tax or the acreage tax from the leaseholders of all the leased or leased buildings belonging to the council within the confines of the council.	Should be act in accordance with the relevant section of the Act.	Due to Tax assessments of leased lands and buildings belonging to the council are not taxable and the property valuation revision has commenced, action to be taken to recover taxes in future.
(ii) Section 159 (1)	When the rent due from the property	Should be act in	Rs. 128,830 rupees have been

<p>(b) <u>Pradeshiya Sabha act of 1988 (Financial and Administration) 65 rule</u></p>	<p>leased by the pradeshiya sabha has not been properly paid, the tenant's immovable or movable property has been banned and the money and fees owed to the council have not been recovered.</p>	<p>accordance with the relevant section of the Act.</p>	<p>charged out of arrears. The shop owners have been ordered to pay the arrears and 03 stalls have been filed cases.</p>
	<p>At the end of the deadline for payment, a list of those who skip payments has not been prepared.</p>	<p>Should be act in accordance with rules.</p>	<p>Although no list of payment avoiders has been prepared, those who do not have regular payments have been notified in writing.</p>

2. Financial Review

2.1 Financial Results

According to the financial statements presented for the year ended 31 December 2018, the council's recurrent expenditure exceeded Rs. 142,733,858 and corresponding to the recurrent expenditure of the previous year was Rs. 112,911,422.

2.2 Revenue Administration

2.2.1 Estimated income, Billed income, Collected income and Arrears of income

Details about estimated income, billed income, collected income and arrears of income for the year under review and the previous year are mentioned below.

<u>Source of income</u>	2018				2017			
	<u>Estimated income</u>	<u>Billed income</u>	<u>Collected income</u>	<u>Arrears as at 31 December</u>	<u>Estimated income</u>	<u>Billed income</u>	<u>Collected income</u>	<u>Total arrears as at 31 December</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	000	000	000	23,692	000	000	000	000
Assessments and taxes	20,259	22,193	20,475		20,947	23,445	22,330	22,769
Rent	26,303	29,103	28,425	2,189	25,115	26,006	26,062	1,422
License fee	6,109	5,966	5,966	-	6,177	6,195	9,846	-
Other income	266,060	255,617	236,668	252,866	209,095	225,037	226,186	227,368
Total	<u>318,731</u>	<u>312,879</u>	<u>291,534</u>	<u>278,747</u>	<u>261,334</u>	<u>280,683</u>	<u>284,424</u>	<u>251,559</u>

- ❖ The additions from the collected income related to the reviewed year and additions from the out of arrears were included in the revenue collected.

2.2.2 Performance of Revenue Collection

Audit Observation

The duty of collecting 55 percent from total receivable assessments and tax income, 7 percent from rent income 53 percent from other income had not been fulfilled.

Recommendation

Revenue should be charged according to rules and regulations.

Comments of Accounting Officer

Agree with total receivable assessments and tax, rental income and other income percentages for the year under review.

2.2.3 Assessment Tax

Audit Observation

The assessment tax bill of Rs. 18,690,070 for the year under review had been raised to Rs. 11,991,126 only. That amounted to 64 percent of the bills and at the end of the year under review, the total assessment tax deficit was Rs.

Recommendation

Action should be taken to ensure maximum income.

Comments of Accounting Officer

Assessment could not be recovered due to unable to find the places of assessments due to coastal erosion and estimation of underdeveloped areas.

23,691,610 according to the documents. So, during the relevant period, the responsibility of collecting revenue had not been fulfilled.

2.2.4 Acres Tax

Audit Observation

According to the documents, there was a acres tax shortage of Rs. 663,706 as at 31 December of the year under review and Rs. 608,393 from that deficit is more than 05 years and Rs. 54,405 was levies ranged from 01-05 years.

Recommendation

Surveys on taxable acres property and action should be taken to recover the arrears.

Comments of Accounting Officer

Acres taxes have been difficult to recover because most of the land is unrecognizable due to death of landlords, being partitions, dividing among children.

2.2.5 Lease rentals and Rentals

Audit Observation

According to the documents, there were Rs. 2,188,982 arrears of lease rentals and rentals as at 31 December of the under-review year. Among that, Rs. 216,761 was over the period of 5 years and the value between 01-05 years was Rs. 527,026.

Recommendation

Should be taken immediate steps to recover the outstanding rent and lease rent.

Comments of Accounting Officer

Out of this amount, Rs. 289,945 has been recovered by April 2019. The rest of the money has been charged and sued.

2.2.6 Court fines and Stamp fees

Audit Observation

Rs. 46,365,631 court fines owed by the Chief Secretary and other officials of the Provincial Council and

Recommendation

Identify court fines and stamp fees and take immediate action to recover them.

Comments of Accounting Officer

Action will be taken to submit the requests to the Chief Secretary.

stamp duty was Rs. 191,991,322 as at 31 December of the year under review.

3. Operational Review

3.1 Performance

The duties of the council were public health, regularization and regulating public utility services and public road matters, feasibility and welfare of the people under the section 03 of the Pradeshiya Sabha Act are mentioned below.

(a) By-laws

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of Accounting Officer</u>
The Pradeshiya Sabha had been embraced 42 by-laws published (Standard by-laws) by the act under the section 126 of the Pradeshiya Sabha and 07 new by-laws	The council need to adopt the by-laws quickly.	Agree with the facts presented.

(b) Action Plan

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of Accounting Officer</u>
(i) <u>Physical Services</u> The estimated amount to be planned implementing during the year under review was Rs. 19,726,195 of road development and construction work had not been implemented during the year.	Action must be taken to expedite the planned construction.	Plans have been prepared and allocated from the 2018 expenditure heads and those are nearing completion.

(ii) Water and sanitation services

05 projects worth Rs. 3,350,000 in the action plan for the year had not been implemented during the year.

The planned projects have to be completed.

There were no requests for 02 programs and one program has been completed. 02 programs have been rejected due to external factors.

(iii) Community Development Environmental Activities

04 community development projects amounting to Rs. 1,180,000 which were listed in the action plan were not implemented during the year.

Planned projects should be implemented.

One program was completed and no provisions were needed for 03 programs.

(c) **Solid Waste Management**Audit Observation

Between 8 to 10 garbage tons are collected per day in the Council area and most of these are classified and obtained. The total amount of garbage collected per day was used for composting. Rs. 1,656,754 from the Provincial Council funds and Rs. 5,430,725 from the Pradeshiya Sabha fund had been spent to construct the compost yard and A bobcat machine was in aid.

Recommendation

The waste recycling program has to be further efficiently implemented.

Comments of Accounting Officer

Agree with the submissions.

(d) Sustainable Developments Objectives and Goals

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of Accounting Officer</u>
The council has already initiated the initial steps towards achieving the Sustainable Development objectives from 2019 to 2030 and there had been focused on eradicate poverty, providing drinking water requirements, safeguarding healthy lives and providing health and hygiene for all ages under the development of fitness and assisting the educational needs of the needy children by promoting lifelong learning opportunities for all and flexible infrastructure development, sustainable and comprehensive industrialization and encouraging innovation.	Identify the sustainable development goals and work towards achieving them.	Agree with the facts presented.

3.2 Human Resource Management

(a) Employee Vacancies and Redundancies

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of Accounting Officer</u>
There was a surplus of 10 employees and 27 vacancies due to employing 238 employees over the approved staff of 218.	Action should be taken to fill vacancies and obtain approval for redundant posts.	Service contracts and recruitment on substitution basis have been done with the approval of the Commissioner of Local Government. 10 Surplus posts were sent for approval.

(b) Employee's Loans
-----**Audit Observation**

A balance of Rs. 389,140 should have been received from 34 employees who have transferred and left the job in the past years.

Recommendation

Action should be taken to recover the outstanding employees' loans promptly.

Comments of Accounting Officer

The amount owed from 04 employees who have transferred was Rs. 168,160 and the amount owed from 07 persons who left the service was Rs. 120,416. It has been sent to the Commissioner of Local Government to be cut off by council approval.

3.3 Operating Inefficiencies
-----**(a) Blocking and selling of lands**
-----**Audit Observation**

Although the land Horagahawaththa included 11 acres, 03 roods, 4.61 perches situated in Weerahena was approved for blocking and selling on 08 November in 2017, block of land allotted to public amenities included 03 roods, 32.34 perches according to blocking layout and 28.6 perches of Millagahawaththa land which had been approved allocated for public amenities on 10 October 2016 have not been acquired to the Pradehiya Sabha by a deed.

Recommendation

Action should be taken to obtain the relevant deeds immediately.

Comments of Accounting Officer

The deed has not yet been submitted to the council, though the letters sent that informing to grant deed of the common land section of the Pradeshiya Sabha .

(b) Construction of a new deep tube well for Thalwila Water Project

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of Accounting Officer</u>
A tube well had been prepared for the Thalwila drinking water project in 2015 and although Rs. 972,533 had been expended for this project by January 2019, tube well and the motor stall have been inactive for more than 03 years due to the lack of construction an electric motor and water supply line.	Should be related work done quickly and give an opportunity to take water to the consumers.	Committee approval has been obtained with prices have been called for the installation of the electric motor to the tube well and other electric components.

4. Accountability and Good governance

4.1 Budget Control

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of Accounting Officer</u>
Rs. 91,418,960 allocation had been remained for the 28 expenditure subjects were allocated for providing services during the year.	Steps need to be taken to prepare the real budgets	Acknowledge that there are Rs. 91,418,960 provisions to 28 expenditure subjects remain.

4.2 Internal Audit

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of Accounting Officer</u>
Adequate internal audit of financial and operational functions has not been carried and internal audit reports were also not submitted.	Internal reports should be submitted to the audit.	An internal audit unit has been established in this council and internal audit plan is also being prepared. That officers had been informed to conduct internal audits and submit reports from time to time.