

Puttalam Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 27 February 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 30 May 2019 and 10 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 Pradeshiya Sabha 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

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Value of the compost sieving machine amounting to Rs.499,991 which had been given as assistance by the “Pilisar Project” of the Central Environment Authority during the year under review had not been brought to account.	Should be Correctly brought to account.	Although compost sieving machine received as donation on 20 July 2018 but letter of agreement including its value had been received to us on 12 February 2019 but to brought to account this necessary informations and value not available there it is kindly inform action will be taken to account this in next year.

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|-------|---|---|---|
| (ii) | A sum of Rs.3,799,149 spent for construction of pre school and repairs which are not belong to the council during the year under review and previous year had been brought to account as fixed assets of the Council. | Should be correctly accounted Land and buildings. | It is inform in kindly action will be taken to eliminate from the Land and Building account of the financial statements in the next year. |
| (iii) | Tractor and Trailer valued at Rs.908,800 included in the register of fixed assets which has being maintain in the Council had not been brought to account under fixed assets in the financial statements. | Council assets should be accounted. | Kindly inform checking this and if it is necessary to account action will be taken in future. |

(b) Unreceivable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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Unreconciles aggregating Rs.22,157,667 existed between the balances of supporting Registers in 4 items of accounts and as per financial statements.	Action should be taken to reconcile the differences in the related balances and to rectify accounts.	Action will be taken to identify the differences in correctly and to adjust through financial statements.

(c) Accounts Receivable and Payable

(i) Accounts Receivable

Audit Observation	Recommendation	Comments of the Accounting Officer
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Balances aggregating Rs.10,481,602 was in 8 receivable accounts as at the date of 31 December 2018 and out of that balances aggregating Rs.6,198,102 was exceed the period of 5 years.	Action should be taken to collect the receivable income in quickly.	Necessary audit evidence will be taken to recover the receivable balances.

(ii) **Accounts Payable**

Audit Observation

Recommendation

Comments of the Accounting Officer

Balances aggregating Rs.29,856,032 was in 7 payable accounts as at the date of 31 December 2018 and out of that balances aggregating Rs.6,176,441 was exceed the period of 5 years.

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

It is inform in kindly action will be take to off the creditor loan balances which could be able to write off which is include in the creditors balances in the future years.

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

Audit Observation

Recommendation

Comments of the Accounting Officer

Eight items of accounts aggregating value of Rs.196,556,787 relevant evidence had not been presented to audit.

Evidence to confirm balances of accounts shown in the financial statements should be furnished.

Relevant documents, confirmations Board of Survey reports and deeds are maintaining in updated and instructions had been gave to present necessary documents to the audit.

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.

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 136

Action had not been taken to collect the income of Rates acre

Action should be take to recover the receivable income.

It is informed in kindly action will be taken to

taxes in respect of properties Lease out or rented out properties belong to the Sabha which are situated within the Sabha bound.

recover by billing and collect those from the future year in connection with the income on properties lease out or rental out properties belong to the Sabha with are situated within the Sabha bound.

(ii) Section 150(4)

The Secretary of the Sabha had not paid attention to recover the revenue the to the Sabha.

Action should be taken in terms of the Act.

It is informed in kindly action will be taken to collect the receivable future lease amounts by function of judiciary actions.

(iii) Section 158

Action had not been taken to collect the out standing rates and acre tax by taken into sequestration of the movable and immovable properties of the persons who are payable that lease.

Action should be taken in terms of the Act.

It is informed in kindly action will be taken to collect the outstanding rates and acre tax payable by the persons' mova and immovable properties taken in to sequestration.

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

(i) Rules 5 (7)

Sufficient internal audit had not been carried out

Sufficient internal audit should be done.

It will be check by internal

in connection with financial and stores activities.

control methodology by all financial activities and stores activities.

(ii) Rule 33

A list of defaulters of rates and taxes and distraining orders had not been prepared for each quarter.

Action should be taken in terms of the Act.

A list in connection with the persons who are evade the payment of rates and action will be taken since the year 2019 to prepared the distaining orders in end of the each quarter.

(iii) Rule 69

A register had not been maintained as per the form of G.S.26 c for auction lands as per the regulations of the 154(1) section of the Pradeshiya Sabha Act.

Registers should be maintain in updated manner.

It is inform action will be taken to prepare the register in terms of the form of GS 26C for the sale of lands.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.33,247,648 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.13,499,271.

2.2 Revenue Administration

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

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 Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000
Rates and Taxes	1,284	1,343	1,130	2,306	1,284	1,272	3,121	2,194
Rent	13,394	1,050	8,548	7,272	10,500	9,116	8,166	15,348
Licence Fees	4,301	4,589	4,589	-	5,001	3,749	3,749	-
Other Revenue	83,645	84,021	69,641	59,933	76,566	56,851	50,803	45,832
Total	102,624	91,003	83,908	69,511	93,351	70,988	65,839	63,374

- 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.

2.2.2 Performance of the Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Rates, Lease rental and other income outstanding from previous years and billing within the year only 32 per cent, 52 per cent and 53 per cent had been collected.	----- Action should be take to collect the outstanding income.	----- Not comments.

2.2.3 Rates

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) The arrears of the rates as at the end of the year under review was Rs.1,659,510 as per the schedules and out of that arrears, a sum of Rs. 489,213 had existed more than 01 year and less than 5 years, a sum of Rs.791,645 had existed more than 5 years. Also, within that total arrears more than Rs.10,000 from 26 units amounting to Rs.464,393 had existed as receivable.	----- Quick steps to be take to recover the arrears of rates.	----- Action is being taken at now for the recovery of arrears by conducting programmes on revenue development and recoveries is being doing by Revenue inspectors.
(b) Eventhough main assessment should be done once a 5 year but main assessment had not been done by the council after the year 2016 upto the year 2018.	Assessment of the rates should be done in periodically.	After the assessment functioned in the year 2006 assessment activities had initiated in the year 2013 difficulties happened in various occasions that assessment activities had been functioned so far and function of survey activities has being finish upto now. Action will be taken to collect the rates relevant to

the new assessment value after receiving the assessment reports from the valuation Department.

2.2.4 Acreage Tax

Audit Observation

The arrears of acreage tax at the date of 31 December during the year under review from the landed proprietors as per the supporting records was Rs.511,728 and out of that a sum of Rs.145,862 and Rs.303,989 has to be receivable more than 05 years and between the period of 01 year to 05 years respectively.

Recommendation

Step should be taken to collect the receivable income in soon and relevant surveys should be functioned.

Comments of the Accounting Officer

It is inform action is being functioning to collect that outstanding income.

2.2.5 Ground Tax and Stall Rent

Audit Observation

The arrears as at the date of 31 December of the year under review was Rs.3,073,909 according to the records, out of that stall rent amounting to Rs.49,615 had existed more than 05 years and a sum of Rs.93,670 had existed more than between 01 year to 05 years. Also, arrears stall rent of Rs.2,188,207 had existed from 10 stalls of the New Trade Complex.

Recommendation

Action should be taken to collect the arrears rental in soon.

Comments of the Accounting Officer

Payment of stall rental had been defaulted by the relevant persons. A request had been made as to reduce this stall rent. It is inform action will be taken in future to recover the arrears shall rental.

2.2.6 Court Fines and Stamp Fees

Audit Observation

Court fines of Rs.28,348,827 and stamp fees of Rs.35,833,101 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018.

Recommendation

Steps should be taken to recover the receivable Court fines and stamp fees in soon.

Comments of the Accounting Officer

It is inform kindly action will be taken to recover in future.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public facilities welfare etc.,

(a) Action Plan

Audit Observation

An action plan had not been prepared for the year under review and progress of the prepared Development Plan had not been presented.

Recommendation

Arrange the action plan and its progress should be presented.

Comments of the Accounting Officer

Development Plan for the year 2018 had been arranged by the Puttalam Pradeshiya Sabha. Action will be taken to present its progress.

(b) Solid Waste Material Management

Audit Observation

From the 3 load of degradable garbage one load of tractor per a day within the boundary from the area of Puttalam Pradeshiya Sabha had being

Recommendation

Attention should be refer for a proper garbage management process.

Comments of the Accounting Officer

Quantity of be decayed one load of reactor is bring daily towards to the solid waste courtyard had been shorter out and make arrangement

disposed to the compose courtyard and balance 2 loads has being belongs to the Sabha. A sum of Rs.5,705,818 had spent to construct the buildings of the compose courtyard under the “Pilisar Project” of the Central Environmental Authority for the period of from the year 2012 upto the year 2018 and a Dropping Machine value amounting to Rs.499,991 which had received as a grant. Also to construct the buildings a sum of Rs.2,547,181 from the funds of the Sabha and to purchase a Grinding Machine and a Motor had been spent amounting to Rs.111,385. These machines were idling even as at 20 May 2019. Five servants had been enlisted in the year 2017 for the compose project out of that 3 servants had been engaged for other duties. A sum of Rs.242,687 and Rs. 1,135,844 totalling to Rs.1,378,631 as salaries for the remaining 3 servants and the supervisor had paid on salaries for the years 2017 and 2018 respectively for fulfillment of the duties in the garbage courtyard. Also, more than Rs.20,000 had been spent for the electricity and water bills of the garbage courtyard for a year but production of organic fertilizer had not done.

as rows has being initiated in the last period of the year 2017 and that time dropping machine and cutting machine had been received. But courtyard had situated 8 kilometres distance of the main road. There are existing very scarcity of water, supply of water is very difficult in the reason of that production of compose could not be done in properly. It is necessary to obtain one three phase electricity power for the Dropping machine. 35 metres of wire had been purchased for that and it is inform in kindly action had been taken to fix that machine.

(c) Sustainable Goals and Targets

Audit Observation

Basis steps had been initialted by the Sabha to achievement of sustainable development goals within the period of from 2015 between the year 2030 and there attention had been paid development of green zone, planting of trees, programs of self employment, programs on women empowerment, child and mother clinics, workshops for disable persons and children, narcotic restraining and child abuse prevention.

Recommendation

Action should be take to reach towards to the sustainable development goals.

Comments of the Accounting Officer

Attention had been drawn to achieve sustainable objectives within the period of from 2015 to between the year 2030 it is inform that attention had been referred and implemented in connection with basis step as developing of roads under the infrastructure facilities developing the roads and street light illumination, public fairs and maintaining of trade complex, under the object of qualitative education, maintaining early childhood education institutions regularization and maintain of Public Libraries, green zone development, trees planting, programs on self employment programs on women empowerment, clinic on child and mother, programs for disable persons and children narcotic restraining and abuse prevention.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) A schedule for the 24 telephone transmission towers of the domain of Sabha had been presented and any files and any records had not been owned by the Sabha. Relevant processing charges had not been collected as per the extra ordinary gazette modification No.1597/8 dated 17 April 2009. It was observed those were unauthorized constructions. Although licence fee had been collected from the lowers construction company but annual trade licence fee had not been collected from other communicative companies.

Records should be maintain in updated and action should be taken to obtain the receivable income to Sabha.

There was no file in the Sabha about in connection with this and there are no correct informations about the telephone transmission accessories of other institutions.

(b) Properties and 14 trade rights owned by the Sabha not tendered during the year 2018 in the reason of that Rs.1,132,796 had been deprived to the Sabha.

Action should be taken to collect the revenue of the Sabha.

Not comment.

3.3 Human Resources Management

(a) Vacancies and Excesses in the cadre.

Audit Observation

Recommendation

Comments of the Accounting Officer

Approved cadre of the Sabha was 102 and 108 persons had been employed in service. Therefore 06 positions had

Action should be taken to complete the staff vacancies and excessess should be

Recruitment for 19 employees had not been made an casual / substitute and appeoval had been obtained for this from the Local

been recruited exterior from regularized.
the approved cadre.

Government Commissioner.

(b) Staff Loan.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>A loan balances of Rs.273,774 had being receivable from 10 employees who were vacated post in the previous years, dismissed pensioned. Action had not been taken to collect that loan balances by the Sabha.</p>	<p>Action should be taken to collect the staff loans in quickly.</p>	<p>It is inform in kindly loans gave for the non employees who were vacated. Pensioned various occasions had been made to recover loans from the relevant officers had make ackm owingly and recoveries had made, a part had been recovered from sureties and action will be taken to recover the balance in future.</p>

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Approval had been made on 09 March 2018 in consist with 51 allotment of the land namely Seylangunadu or Seemawella with the area of 5 acres, 02 roods and 25.4 perches. Although according to the plan 02 roods and 05 perches allotment No.29 had been allocated for common facilities but it had not been assigned to the Pradeshiya Sabha by a deed.</p>	<p>The plot of Land should be assigned to the Sabha for the general facilities.</p>	<p>Action will be taken in future to assign the plot of land receivable to the Sabha</p>

3.5 Idling and Under utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Two bowsers valued at Rs.165,500 had been parked without using and stock of machineries purchased at Rs.540,360 before the year 2008 were existing in idling.</p>	<p>Action should be taken to dispose the idle assets.</p>	<p>The two bowsers are existing in without numbers and after obtaining it in immediately make the</p>

auction and other machineries identify in precisely and action will be taken to auction.

3.6 Vehicle Utilization

Audit Observation

Fuely engine repair of a Tractor vehicle belong to the Sabha had been carried out by spending Rs.766,700 during the repair of the vehicle several months after there were lapses defect in the engine again and it had been removed from running. An agreement had not been entered with the relevant garage and although a letter had been obtained from the garage as agree to give a warranty for the engine for the period of one year from the date of handing over tractor to the Sabha but the repair could be done in without payment of additional payments the occation had been deprived by the Sabha. According to the repair bill, a payment had been made for a new stearin wheel but old one had been fixed. After the fixing of other new spareparts and before the initmet of paint the mechanical engineer had nit been checked.

Recommendation

Identifying the responsible persons and future activities should be done.

Comments of the Accounting Officer

It is inform in kindly an agreement had not been entered in connection with this repair. Further it is inform in kindly the records mentioned as the removal spare parts had been handed over to the Sabha could able to find out. Although it was mentioned as a new stearin wheel had been fixed but old one had been fixed.

3.7 Contract Administration

Audit Observation

A contractor had been selected without feasibility study and the procurement process for the construction of day and night volley ball play ground had commenced the works and fulfilled it upto the plinth beam as at the date of 30 December 2018.

Recommendation

Selection of cintractors should be done by following the procurement procedure.

Comments of the Accounting Officer

Estimated cost is Rs.2,282,808. Arrangements has being prepare to fulfill the works entering into a agreement between the Samurdhi Elder Society.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Saving in 58 objects amounted to Rs.6,710,000 had remained which had been allocated for the welfare of the people who are living in the domain of the Sabha and relevant services something had not happened.

Recommendation

Realistic estimates should be prepared.

Comments of the Accounting Officer

According to the Development Plan for certain projects not spent Sabha Fund and project had been performed where the provisions had been made from by other institutions and sunds, because of that it shows savings in the funds of the Sabha. Projects could not be functioned as per the planned on the reason of according to the budget estimates capital receipt and other receipts are not material and approval of the Minister in charge of the subject of Local Government of received.

4.2 Internal Audit

Audit Observation

Internal audit had not been carried out in connection with financial and operational activities.

Recommendation

Do strength the internal audit further and internal audit reports should be presented for the audit.

Comments of the Accounting Officer

All financial operational activities are being check by the internal control methodology. It is inform in kindly action will be taken to improve the existing internal control system in future.