

**Arachchikattuwa Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Presenting financial statements

The financial statements for the year 2019 were submitted for audit on 28 February 2020 and the Auditor General's summary report on those financial statements was also submitted on 16 June 2020, the detailed management report was also sent to the Chairman on 24 July 2020.

1.2 Qualified opinion

Except for the implications of the facts described in the Foundation section for the qualified opinion of this report I am of the view that the financial statements, as well as the financial position of the Arachchikattuwa 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 principle.

1.3 The basis for the Qualified opinion

(a) Accounting Deficiencies

<u>Audit observation</u>	<u>Recommendation</u>	<u>Commenting Officer</u>
(i) The cloth cover of Rs.110,800 purchased in the previous year had been shown as fixed assets for the year under review but the industrial stock and the accumulated fund had been increased by Rs.110,800 accounts need to be corrected.	Accounts need to be corrected.	I will take steps to correct this in the preparation of accounts for the year 2020.
(ii) It was recorded as a deposit charged in respect of previous year Land allotment tax of Rs.417,868 and motor grader rental income of Rs. 74,000 that had been recorded as revenue for the year under review.	Adjustments need to be made for the relevant year.	I will take steps to correct this in the preparation of accounts for the year 2020.

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| (iii) Journal Notes No. 46 had debited Rs. 453,763 and credited Rs. 453,763 to the Accumulated Fund for the difference between the Deposit Account and the Deposit Register. | The difference between a deposit account and a document must be identified and properly accounted for. | The non-withdrawal of Rs.491,868 in land allotment tax and motor grider income is due to the difference in Journal Notes No. 46 and even after adjusting the difference, there is another difference of Rs.38,105 between the account and the document. I will take steps to find and correct it in the next year's accounts. |
| (iv) The amount of Rs.420,000 of pension's payable in respect of previous years had been credited to the pension account through Journal Notes No. 02. | Expenditure related to the year should be identified and accounted for. | I will take steps to correct this in the preparation of accounts for the year 2020. |

(b) Accounts receivable and payable

----- Audit observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(i) The total of 06 account balances due as at 31st December 2019 was Rs.59,883,574 out of which Rs. 21,148,839.	Action should be taken to recover the amount due expeditiously.	I will take steps to recover the arrears expeditiously.
(ii) The total balance of 02 account balances paid as at 31st December 2019 was Rs. 27,802,817, out of which the balance exceeding 01 year 1,844,415.	Account balances payable should be settled expeditiously.	The amount of Rs.1,554,408 has been paid in the year 2020 and I will take action to pay the balance.

1.4 Non- Compliance

1.4.1 Non- Compliance with Laws, Rules, Regulations and Management Decisions

The following discrepancies were observed during the audit.

Reference for Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
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(a) <u>Pradeshya Sabha</u> <u>Act No. 15 of 1987</u> Subsection 126 (XXVII)	By-laws had not been prepared for the welfare of fishermen.	By-laws need to be imposed soon.	I will take action to impose by-laws in the future.
(b) <u>Public</u> <u>Administration</u> <u>Circulars</u> Circular No. 05/2008 dated 06 February 2008	had to prepare a Citizens 'Charter for all the services provided by the Council but a Citizens' Charter had not been prepared for 09 Public Services.	A Citizens' Charter should be prepared for the services provided by the Council.	Steps have been taken to update the Citizens' Charter.
(C) <u>Establishments</u> <u>Code of the</u> <u>Democratic Socialist</u> <u>Republic of Sri</u> <u>Lanka</u> Paragraph 1.6 of Chapter XXIV	The amount of Rs.129,310 due from 35 officers / employees who have been transferred has not been settled within a period of 11 years.	Action should be taken to recover the employee debt due as soon as possible.	Relevant employees have been informed by letter to recover the outstanding loan balances for the previous years and if no action is taken to repay the loan, action will be taken to recover the loan installments in installments from the guarantors.

2. Financial Review

2.1. Financial Results

According to the financial statements submitted, the revenue exceed the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs. 9,817,939 and the corresponding revenue exceed the recurrent expenditure of the previous year was Rs. 10,090,393.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Accumulated Revenue and Deficit Revenue

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.

Source of Revenue	2019 year				2018 year			
	Estimate d Income	Billed Revenue	Total Deficit	as at 31 Decembe r	Estimate d Revenue	Billed Revenue	Total Deficit	As Of 31Decemb er
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rate and Taxes	7,376	7,774	7,595	12,124	7,059	7,085	6,834	10,945
Rent	5,772	7,990	7,990	2,098	4,856	7,609	9,838	2,492
License fees	1,083	1,561	1,561	-	1,135	1,185	1,209	-
Other Revenue	50,628	50,628	57,088	42,499	49,048	49,048	26,329	54,226
	<u>64,859</u>	<u>67,953</u>	<u>74,234</u>	<u>56,721</u>	<u>62,098</u>	<u>64,927</u>	<u>44,210</u>	<u>67,663</u>

* Income collected from billed income for the year and from arrears.

2.2.2 Performance of Income collection

Audit observation

The total billed income for the year under review was Rs.67,953,787 and the arrears at the beginning of the year under review were Rs.68,215,721 while the revenue from bills and arrears during the year under review was

Recommendation

Action should be taken to recover the annual billed income within the year.

Comment of the Accounting Officer

I will act to recover the arrears.

Rs.74,234,860. Accordingly, the progress of total revenue collection during the year was about 55 percent.

2.2.3 Rates and Taxes

Audit observation

The rate and tax deficit was Rs. 11,501,179 and the Sabha had not properly fulfilled its responsibility of collecting rate taxes.

Recommendation

Action should be taken to recover all arrears of rate and taxes expeditiously.

Comment of the Accounting Officer

The amount of Rs. 622,904 has been recovered from the arrears for the year 2020.

2.2.4 Rent

Audit observation

The amount of Rs. 1,880,387 in arrears of rent and Rs.102,460 in shop rent had not been collected.

Recommendation

Action should be taken to recover all arrears of shop rent and rent as soon as possible.

Comment of the Accounting Officer

The value of Rs. 80,639 has been recovered from the arrears and action has been taken to recover the remaining amount. Legal action has been taken to recover the rent and Rs. 34,953 has been recovered from the arrears.

2.2.5 Court fines and stamp duty

Audit observation

The amount of Rs. 4,070,684 court fines and Rs. 23,562,590 stamp duty were to be collected from the Chief Secretary of the Provincial Council.

Recommendation

Action should be taken to recover all arrears expeditiously.

Comment of the Accounting Officer

An amount of Rs. 3,422,500 has already been recovered from the court fine and I will take steps to recover the remaining amount expeditiously. A committee has been appointed to make recommendations on stamp duty arrears from 2008 to 2013. Out of Rs. 13,955,380

stamp duty due for 2018 and 2019, Rs.1,614,080 has been received on 2 June 2020.

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 performed by the wellbeing, convenience and welfare of the people.

(A) By-laws

Audit observation	Recommendation	Comment of the Accounting Officer
(I) By-laws were not imposed to regulate the prohibition, removal, and sale of unhealthy foods or beverages, and the regulation and supervision of bakeries, restaurants, and hotels in accordance with public health and wellness practices.	By-laws need to be impose soon.	Will act in accordance with the standard by-law.
(ii) By-laws had not been imposed to protect the existing social value bird sanctuary in the Pradeshiya Sabha area.	By-laws should need to be imposed soon.	I would like to inform you that action will be taken to impose the relevant by-laws in future.

(B) Solid Waste Management

Audit observation	Recommendation	Comment of the Accounting Officer
(i) Although it was planned to start composting projects from last year, the Sabha had failed to obtain a land with a suitable environment for garbage disposal.	Action should need to be taken to start a compost project.	I hereby inform that the Sabha has requested various institutions on various occasions for a land area of 05 acres for the final disposal of garbage collected daily in

the Sabha area but no response has been received in this regard.

(ii) The waste collected by the Sabha is disposed of without sorting and the impact of non-perishable material on the environment had not been taken into consideration.

Garbage should be sorted and the relevant waste should be recycled.

I submit the project report for the construction of the compost yard prepared by our Sabha to the Land Use Committee and inform that we are trying to acquire 05 acres of land from the Wirekattuwa government land.

3.2 Management Inefficiencies

Audit observation	Recommendation	Comment of the Accounting Officer
<p>Inadequate measures had not been taken to recover the annual arrears of income such as water tax, stamp duty and long period outstanding rate tax, acreage tax and shop rent.</p>	<p>Appropriate legal action should be taken to recover the arrears.</p>	<p>Out of the rate deficit, the rate deficit collection for the year 2019 is Rs.2,683,508 and programs have been implemented to recover the arrears. The amount of Rs. 80,639 has been recovered from the arrears and action has been taken to recover the remaining amount. Legal action has been taken to recover the rent and Rs.34,953 has been recovered from that amount. I will take steps to recover the remaining amount as soon as possible.</p>

3.3 Human Resource management

Audit observation	Recommendation	Comment of the Accounting Officer
There were 10 vacancies in the secondary grade posts and 07 vacancies in the primary grade posts in the Sabha and 09 persons were employed for the contract / substitute posts apart from the approved staff.	Action should be taken to fill the vacancies and to formally approve the long-term surplus staff.	The approved number of employees as on 31.12.2019 is 85 and the actual number of employees is 77. There are 17 vacancies and the surplus number is 09 which is the number of employees who are paid by the Sabha based on substitutes and contracts.

4. Accountability and good governance

4.1 Internal Audit

Audit observation	Recommendation	Comment of the Accounting Officer
Adequate internal audit of the financial and operational activities of the Sabha for the year under review had not been conducted and formal reports had not been submitted.	An internal audit should be conducted and formal reports submitted.	An internal audit unit has been introduced which conducts audit inspections.