

**Chilaw 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 sent to the Chairman on 30 June 2020 and the detailed management report on 11 August 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 Chilaw Pradesheeya Sabha as at 31 December 2019 and It is my opinion that its financial performance reflects a true and fair view in accordance with generally accepted accounting principles.

1.3 Basis for the Qualified Opinion

(a) Un Reconciled accounts

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

According to the schedules and utility books maintained in respect of 05 accounts subjects, the total of discrepancies between the balances and the financial Statements was Rs. 12,465,790.

Changes need to be identified and accounts and schedules corrected.

I kindly inform you that while preparing the financial statements for the year 2020, action will be taken to correct them.

(b) Accounts Receivable and Payable

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

(i)The total of 09 receivable account balances to the Sabha as at 31 December 2019 was Rs.234,296,037 out of which receivable

Further action should be taken to recover the due revenue expeditiously.

Already part of the arrears of rates, acreage taxes, shop rent and court fines have been recovered. I will act to recover other receivable

balance over 03 years was Rs.31,127,744

accounts in future.

(ii) The total of 05 account balances payable as at 31 December 2019 was Rs.68,389,927 out of which payable balance over 03 years was Rs.4,728,236.

Creditors balances should be settled expeditiously.

I kindly inform you that in the future all creditors will be settled.

(c) Lack of Written evidence required for the audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to non-submission of required information, two account subjects amounting to Rs.168,287,764 could not be examined satisfactorily during the audit.	Written evidence confirming the balance of accounts in the financial statements should be required to produce.	I kindly inform you that a survey will be conducted on land and buildings in the year 2020 and survey reports will be submitted and schedules for library books will be prepared and submitted along with the 2020 financial statements.

1.4 Non-compliance

1.4.1 Non-compliance with laws, rules, regulations and management decisions

The following are the instances of non-compliance with rules, regulations and regulations.

Reference for Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
(A) <u>Pradeshiya Sabha Act No. 15 of 1987</u>			
Section 129 (2) (E)	No action had been taken to recover the rent of Rs.987,847 due to the Sabha in formal manner.	Further action should be taken to recover the rent expeditiously.	Parts of the rent arrears have already been recovered and I will act to recover the remaining arrears in the future.

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

(i) Laws of 217 and 218	A register of all lands and buildings belonging to the Sabha amounting to Rs.167,363,747 had not been updated and the annual boards of survey of lands and buildings had not been carried out.	The land and building register should be updated and surveyed annually.	I kindly inform you that when preparing the financial statements for the year 2020, a survey of lands and buildings will be conducted and a document will be kept up to date.
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(C) Financial Regulation
Democratic Socialist
Republic in Sri Lanka

(i) Section of 396 (d)	Nine cheques amounting to Rs.43,558 which had been issued for exceeding 06 months had not been dealt with.	Financial Regulations should be followed.	I would like to inform you that we will act in accordance with the Financial Regulations regarding cheques that have exceeded for 06 months.
(ii)Section of 571	Two hundred sixty-eight deposits amounting to Rs.5,278,623 over 2 years had not been dealt with.	Financial Regulations should be followed.	I would like to inform you that we will act in accordance with the Financial Regulations for deposits exceeding 02 years.

2. Financial Review

2.1. Financial Results

According to the financial statements submitted, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs. 80,787,587 and corresponding to the revenue exceeding recurrent expenditure of the previous year was Rs.47,388,780.

2.2 Financial Control

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The Sabha maintains two savings accounts in the People's Bank, the Building Development Fund and the Water and Sanitation Fund, and Balance of those accounts due to non-transfer of money to an investment account for maximum return the balance in those accounts was Rs.1,137,285 as at 31 December. 2019	Balance in savings accounts should be invested to maximize returns.	I kindly inform you that steps are being taken to invest the money in the two savings accounts under the Building Development Fund and the Water Sanitation Fund in two fixed deposit accounts.

2.3 Revenue Administration

2.3.1 Estimated income, billing income, Revenue collected and arrears Income

Source of income	Estimated income	2019 year			Total deficit as at 31 December	2018 year			Total deficits at 31 December
		Billed income	Revenue collected			Billed income	Revenue collected		
	Rs..000	Rs..000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	
Rate and Taxes	4,582	4,730	4,490	2,646	4,642	4,723	4,538	2,414	
Rent	7,128	7,279	7,039	1,006	5,982	6,681	6,760	567	
License fees	1,080	1,292	1,292	-	765	1,222	1,222	-	
Other revenues	207,946	194,717	131,188	227,502	142,072	126,163	122,581	136,515	
	220,736	208,018	144,009	231,154	153,461	138,789	135,101	139,496	

*Collected income includes income collected from billed income for the year and income collected from arrears.

2.3.2 Revenue collection performance

----- Audit observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
The total billing income for the year under review was Rs.208,017,284 and the arrears for the year under review was Rs.139,494,868, of which Rs.144,008,540 was collected during the year. Accordingly, the progress of total revenue collection was about 41 percent.	Billed income for the year is to be charged during the year.	No comments.

2.3.3 Rates and Taxes

----- Audit observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Out of the rates and tax revenue of Rs.4,729,584 billed for the year under review, only Rs.3,333,906 was collected during the year and it is 70 percent of the billed value. At the beginning of the year under review, only Rs.1,156,163 had been collected during the year from the rates and tax value of Rs,2,413,598 and it was 48 percent of the value at the beginning of the year	Rates and taxes billed for the year should be collected within the year.	Out of the rates taxes and arrears rates taxes billed in 2019, Rs.511,275 has been collected in the year 2020.

2.3.4 Rent

----- Audit observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Necessary action had not been taken to recover the tax of Rs.416,398 which had been abandoned since 2012 and the pension hall rent of Rs.181,347 which was outstanding from the year 2014.	Arrangements should be made to enter agreements in a formal manner and to expedite the recovery of arrears of rent.	The amount of Rs.416,397 in rent is at an unrecoverable level and several attempts have been made to file a case for Rs.181,347 since 2014 but it has failed due to lack of formal agreement.

2.3.5 Court fines and Stamp Duty

Audit observation	Recommendation	Comments of the Accounting Officer
The court fines due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 were Rs.34,389,059 and the stamp duty was Rs.184,979,717.	Further action should be taken to expedite the recovery of court fines and stamp duty.	I request to pay court fines and stamp duty and inform you that action will be taken to obtain the relevant money as soon as possible.

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	Comments of the Accounting Officer
In accordance to Section 126 of the Pradeshiya Sabha Act, a Pradeshiya Sabha should be done impose by-laws and although the relevant services have to be rendered on behalf of the public should provide relevant services to the public but Sabha did not imposed by-laws relating to the roads, by-roads and land and property management and maintenance owned to the Sabha.	Relevant by-laws should be enacted to provide services for the public welfare.	I kindly inform you that in the future, by-laws will be enacted to provide the relevant services to the public.

(b) Solid Waste Management**Audit observation**

During the year under review, 07 projects and programs amounting to Rs.8,215,000 - scheduled for solid waste management had not been implemented.

Recommendation

Projects planned during the year should be completed within the year.

Comments of the Accounting Officer

Although the budget for the year 2019 was planned, I would like to inform you that it was not possible to implement such programs due to the insecure situation prevailing in the country at that time.

(C) Sustainable Development Goals**Audit observation**

The Sabha was aware of the United Nations' 'Sustainable Development Agenda 2030' and during the year under review, identified and implemented programs under the Sustainable Development Goals under Disease Control, Poverty Alleviation, Waste Management and Coast Conservation.

Recommendation

Action should be taken to achieve the Sustainable Development Goals.

Comments of the Accounting Officer

There were no comments.

3.2 Management inefficiencies**Audit observation**

(a) Thirty-nine cash orders amounting to Rs.27,000 received in 2017 and Rs.2,500 received in previous years for the registration of suppliers in the year 2018 had not been realized by 13 May 2020 and the necessary action had not been taken in this regard.

Recommendation

Urgent action should be taken regarding unrealized money orders.

Comments of the Accounting Officer

Although the relevant money orders have been received but have not been credited to the account, I would like to inform you that action will be taken to obtain it.

(b) An advance of Rs.25,000 paid to the Chilaw Divisional Secretary in the year 2000 for the transfer of the Inigodawela school premises in Chilaw had not been settled by May 13, 2020.

Should be done accordance to the Financial Regulations.

It has been informed that the advance payment given to the Chilaw Divisional Secretary regarding the transfer of the Inigodawela school premises in Chilaw has been credited to the government revenue. I further inform that the amount has been forwarded to the Governor after obtaining the approval of the General Assembly to write off the amount.

(c) During the period of the period 2004-2016, the deed of 08 plots of land which had been allotted to the Sabha for public purposes out of the lands sold in the council area had not been taken over by the Sabha. Further, there was no effective plan to protect the boundaries of these lands

Lands belonging to the council should be identified and action should be taken to acquire them through deeds.

As pointed out by the Audit, I kindly inform you that by now those institutions have been informed in writing to obtain the relevant deeds of the common lands received by the Sabha during the year 2004-2016.

(d) About 60 perches of the 115 perches of land in Karkukewatawana, Kajukelewatta, which had been allotted for sale in 2005 but had been allotted to the Sabha for public purposes but had not been handed over by deed, had been forged and sold to another person in 2018. Action should be taken to take over the lands allotted to the Sabha for public works.

Action should be taken to take over the lands allotted to the Sabha for public works.

Legal action has already been taken to obtain deeds for the common land from the auction land and the owners of the land have agreed to pay a value equal to the value of the land. I kindly inform you that further work will be done in this regard.

((e) Out of 282 three wheelers registered with the Saba, Rs.155,100 had not been charged for the year 2018 and Rs.162,250 for 295 three wheelers for the year 2019 at a cost of Rs.317,350

A formal census of all three-wheeler parks should be conducted to update the information on parking three-wheelers and to charge a fee.

In the future, we will conduct a census of the members of all car parks and identify the permanent members and take steps to recover the money I would also like to point out that there is no system for collecting arrears as we are charged annually as license fees.

3.3 Operational inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
<p>The Sabha had incurred a loss due to the inability to recover the amount of Rs.416,398 tax due on the lease of assets during the period 2002-2011 due to not taking proper action during the relevant periods.</p>	<p>Action should be taken to recover the arrears of taxes expeditiously.</p>	<p>The amount of Rs.416,398 in rent from the period 2002-2016 could not be recovered due to non-collection and non-collection of agreements in the past and the Local Government Commissioner has instructed to submit it to the Governor for deduction. I submit it to the Hon. Governor for approval as soon as possible.</p>

3.4 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
<p>(a) There are 29 vacancies in the posts of Secondary and Primary Grades and there were also posts relevant to the main functions of the Sabha such as Technical Officer, Work Administrator, Revenue Inspector. In addition, there was a surplus of 04 staff in 01 primary grade posts and no action had been taken to approve the surplus posts.</p>	<p>Action should also be taken to formally recruit for vacancies and to approve surplus posts.</p>	<p>Submitted to obtain relevant approvals for filling vacancies and approving additional posts.</p>

(b) The non-performing employee loan balance at the end of the year under review was Rs.783,792. The Saha did not have much information on debt balances and did not submit a age analysis of outstanding debt balances to the audit.

Action should be taken to recover the arrears.

I kindly inform you that when preparing the final accounts for the year 2020, the employee loan balance will be properly balanced and settled and a age analysis will be made on the employee loan balance.

3.5 Asset Management

3.5.1 Non-performing assets

Audit observation	Recommendation	Comments of the Accounting Officer
Three tractors worth Rs.1,683,750 owned by the Sabha had not been driven for more than two years.	Assets should be utilized to maximize returns.	In the future, these tractors will be used to distribute water by bowser and to collect garbage in the area.

3.5.2 Unacquired Assets

Audit observation	Recommendation	Comments of the Accounting Officer
Twenty-two lands owned by the council, including lands belonging to the Pradeshiya Sabha, office buildings, libraries and pre-schools, had not been taken over by the Sabha.	Action should be taken to formally acquire the lands used by the Sabha.	I kindly inform you that in the year 2020, the lands owned by the Sabha including the office buildings, libraries and pre-school lands belonging to the Pradeshiya Sabha will be taken over.

4. Accountability and Good Governance

4.1 Budget Control

Audit observation	Recommendation	Comments of the Accounting Officer
The provision of Rs.19,410,500 for 49	Action should be taken to prepare budget estimates	These development activities could not be carried out as

expenditure items related to welfare, health services, library services and pre-school activities in the Sabha area had saved the entire provision without spending on the relevant activities. realistically.

there were non-critical opportunities in the country in carrying out the tasks proposed by the budget.

4.2 Internal Audit

<p style="text-align: center;">----- Audit observation -----</p>	<p style="text-align: center;">----- Recommendation -----</p>	<p style="text-align: center;">----- Comments of the Accounting Officer -----</p>
<p>Although an audit plan has been prepared for the year under review, as in previous years, no plans have been made to inspect areas such as construction, asset management and public service delivery. During the year under review, an internal audit of 20 locations, including the head office, sub-offices, libraries and pre-schools, was scheduled to be conducted, but up to 04 June 2019, only five locations had been audited.</p>	<p>An internal audit plan should be prepared and audited to cover all areas of the Sabha.</p>	<p>I kindly inform you that in the year 2020, as the audit pointed out, we will prepare and implement plans for field inspections for construction, asset management and public service delivery.</p>