

Puttalam Municipal Council - 2024

The audit of the operations of the Puttalam Municipal Council for the year ended 31st December 2024 was conducted under my direction in accordance with the provisions of the National Audit Act, No. 19 of 2018, read in conjunction with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, and the Municipal Councils Ordinance (Chapter 252). This report sets out my comments and observations which I intend to submit to Parliament.

1.2 Management's and controlling parties responsibility for the presentation of the Financial statements

In terms of section 16(1) of the National Audit Act, No. 19 of 2018, every audited entity shall maintain proper books and records of its income, expenditure, assets and liabilities so as to enable it to prepare annual and periodical financial statements in respect of that entity. In terms of section 16(2) of the said Act, the annual financial statements in respect of every audited entity shall be submitted to the Auditor General by the Accounting Officer together with the annual performance reports of such entities within such period as may be prescribed by the rules. In terms of Section 38(1)(d) of the said Act, the Accounting Officer shall ensure that annual reports and other financial statements are prepared within the required time frame and, in addition, shall ensure that the annual reports relating to the entity being audited are presented to Parliament.

1.3 Incorporation of the Puttalam Municipal Council and submission of financial statements

According to the Special Gazette No. 2296/05 dated September 06, 2022, the Minister of Local Government and Provincial Councils dissolved the Puttalam Municipal Council with effect from March 19, 2023 and established the Puttalam Maha Municipal Council from March 20, 2023 and stated that date as the date on which the tenure of the members will take effect. However, even though the required number of members had not been elected in accordance with Section 09 of the Municipal Councils Ordinance, the Council should be deemed to have been established on that date. However, administrative activities had continued to be carried out under the name of the Puttalam urban Council and the Municipal Council had not prepared and submitted the financial statements for the years 2023 and 2024 to the audit as of the date of this report.

1.4 Non-compliances

1.4.1 The non-compliance with the Laws, Rules, Regulation and Management Decisions

Instances non-compliance with Laws, Rules, Regulations and Management decision are shown below.

	Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the council	Recommendation
	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i.	Financial Regulations 104	The damage to the roof of the new Bais Auditorium, which is maintained and	It is a natural disaster. Requests have been made to the National Buildings	Damages should be dealt with in accordance with

		controlled by the Municipal Council, had not been inspected and assessed.	Department to obtain an estimate for assessment and repair, and the relevant work is currently underway.	financial regulations.
ii.	Financial Regulations 104 (3)	Full investigation reports had not been submitted regarding accidents that occurred to two council-owned vehicles during the year under review.	Actions have been taken to submit requests to obtain full inspection reports related to vehicles.	Vehicle accidents should be dealt with in accordance with financial regulations.
iii.	Financial Regulations 110	Although there was a register to record damages and losses, the register had not been updated.	Instructions have been given to update the register.	Financial regulations must be followed.
iv.	Financial Regulations 571(2)	No action had been taken to regulate deposits of Rs. 5,013,516, which were over 02 years old, in accordance with the Financial regulations.	That steps have been taken to refer the matter to the Finance Committee for necessary action.	Financial regulations must be followed.
v.	Financial Regulations 757(2)	The reports of the board of surveys conducted the end of the year under review had not been submitted to the Auditor General.	The Board of survey has been conducted and the relevant report will be submitted to the Auditor General.	Financial regulations must be followed.

2. Financial Review

2.1 Revenue Administration

2.1.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

According to the information Submitted by the Municipal Council, Estimated Billed Revenue, Revenue Collected and Arrears Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	Estimated Revenue	2024			Estimated Revenue	2023		
		Billed Revenue	Collected Revenue	Total Arrears as at 31 December		Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000
	Rs.'000							
i.	Assessments and taxes	23,572	22,870	92,342	17,944	23,294	8,864	99,914
ii.	Rent	157,994	74,979	17,552	152,953	62,091	57,456	11,578
iii.	License fees	1,792	1,532	-	1,880	1,434	1,434	-
iv.	Other income	40,560	13,442	-	53,550	12,530	12,530	-
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	Total	223,918	112,823	109,894	226,327	99,349	80,284	111,492
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2.1.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

	Audit Observation	Comments of the Council	Recommendation
(a)	Assessment and Taxes The assessment and tax arrears at the end of the year under review was Rs. 92,341,553, of which Rs. 78,191,819, or about 85 percent, were arrears relating to previous years. Also, the progress in collecting assessment and taxes remained very low, accounting for 37 percent of the billed revenue in the year under review and 22 percent of the arrears at the beginning of the year under review.	The action have been made to recover the arrears of Rs. 9,985,874. Efforts are being made to collect assessment taxes by conducting mobile programs.	The action should be taken to recover arrears of revenue promptly.
(b)	Rent The outstanding rent balance at the end of the year under review was Rs. 17,551,551, of which Rs. 2,035,709 was outstanding balance relating to previous years. About 21 percent of the billed rent value in the year under review had not been recovered.	Prompt actions are being taken to collect the relevant arrears of rent.	The action should be taken to recover arrears of revenue Immediately.

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 04 of the Municipal council Ordinance Act are shown below.

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	In accordance with paragraphs 04 and 06 of the Circular No. 2019/02 of the Commissioner of Local Government (North West) dated 10th January 2019, 30 fish shops owned by the council were given away at a monthly rent of Rs. 900 without any valuation or agreement.	Currently, the amount determined by a council decision is being collected, and although a committee had been set up to determine and collect an amount regarding this rental, due to the election period, no decision was made and arrangements have been made to refer the matter to the General Assembly of Members to make the necessary decision.	Action should be taken according to the circular instructions.

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| (b) | Although the agreement period for 29 shops on Kurunegala Road leased by the council had expired for a period of 1 to 25 years, no steps had been taken to sign new agreements. | The relevant shop owners have been notified in writing to renew the agreements, and the necessary steps have been taken to take further action. | Agreements should be updated and revised rents charged. |
| (c) | Although assessment tax revisions are required to be made every 5 years, assessment tax has been levied up to now based on the assessment made in 2015 within the jurisdiction of the Municipal Council. | That it has been referred to the Valuation Department for assessment. | Assessment taxes should be revised timely. |

3.2 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
(a) The contract for the construction of the Alpha Shopping Complex, which was contracted for a sum of Rs. 337,750,000 in 2015, could not be started until 2019 due to the financial crisis that had arisen due to the non-payment of the Key money as expected. The construction work had been started on 10 October 2019 with a value of Rs. 437,500,000 and a period of 540 days. Although Rs. 515,304,094 had been paid for the construction by the end of the year under review, the construction work of the shopping complex had not been completed. Due to the inability of council to pay the payment bills properly, a late fee of Rs.3,558,259 had also been paid to the contractor.	Construction had been held due to the resignation of the consulting engineer and the lack of recommendations to extend the contract period. But work has now commenced.	Action should be taken to complete the project as planned and generate the expected income.
(b) The construction of the 74-shop Beta Shopping Complex, which was estimated to cost Rs. 190,983,806 to be constructed on a direct labor basis using the key money collected from the buyers who purchased the shops, had commenced on December 19, 2022. Due to the fact that the shops were not sold as planned and the key money was not collected, the relevant construction had been stopped from October 31, 2023. By that date, work had been completed only up to the foundation at a cost of Rs.17,135,361.	Since problems arose in carrying out the construction under direct labor, it has been decided to select a contractor and complete the project through the procurement process under the instructions of the Local Government Commissioner.	Action should be taken to complete the project as planned and generate the expected income.

3.3 Assets Management

Audit Observation

The legal ownership of 50 assets such as the land where the Municipal Council office is located, community halls, weekly markets, libraries, children's parks, clinic centers, shopping complexes, city halls, etc., which are owned, controlled and maintained by the Municipal Council, and cemeteries and playgrounds, had not been taken over by the Municipal Council.

Comments of the Council

Requests have been made to acquire all lands.

Recommendation

Action should be taken to acquire the assets.

3.4 Human Resources Management

Audit Observation

- (a) There were 40 vacancies in the secondary grade of the Municipal Council and due to the vacancies in the secondary posts such as Technical Officer, Revenue Inspector and Management Services Officer, primary grade officers had been deployed to cover the duties of those posts.

Comments of the Council

Due to these vacancies, the work of the Municipal Council is being carried out by employing casual workers, and efforts are being made to find solutions by discussing with the Chief Secretary to fill the employee vacancies.

Recommendation

Action should be taken to fill vacancies and streamline the work of the Municipal Council.

- (b) A debt balance of Rs. 156,826 due from 11 employees due to death and abandonment of service had not been recovered during the year under review.

Letters have been sent to the Local Government Commissioner for approval to write off this debt balance.

Every effort should be made to recover outstanding loan balances and then decisions should be made on write-offs.

3.5 Management of Vehicle fleet

Audit Observation

Three motorcycles, a tractor and a trailer that were recommended for disposal had not been disposed of and had remained idle for between 6 and 11 years, while four tractor trailers had been left to decay in the yard without being repaired or used.

Comments of the Council

Action is being done to auction the goods based on the Board survey recommendations. The repairs of the tractor trailer has been delayed due to the business of the repair section of the work yard. Action will be taken to inform the next council session about this and expedite the relevant repair work.

Recommendation

Action should be taken to dispose of vehicles as recommended.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
Due to the preparation of estimates without properly identifying the needs and the failure to carry out budgeted tasks as planned, the provisions of Rs. 256,115,000 provided for 51 votes remained completely unused.	Action will be taken to pay attention to this issue in the next session of the council.	The tasks planned in the budget must be accomplished within the year.

4.2 Environmental Issues

Audit Observation	Comments of the Council	Recommendation
The Municipal Council has a solid waste management center and the garbage collected in the municipal area was collected without classification and transported to the solid waste management center. Due to the shortage of workers to separate the garbage, the production of organic fertilizer from the collected decomposing garbage was limited, and during the physical audit, it was observed that a large garbage dump had been created at the solid waste management center and animals were eating it.	Action will be taken to pay attention to the new council regarding providing a sufficient workers for waste classification.	Solid waste management should be carried out systematically.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Council	Recommendation
Although the Municipal Council had identified targets for 05 Sustainable Development Goals for the year under review in order to achieve the goals and targets for the Sustainable Development Agenda 2030, only one of them had been implemented.	That the necessary action will be taken to implement the identified goals in the future.	Action should be taken to achieve sustainable development goals.