

Karuwalagaswewa Pradeshiya Sabha

Puttlam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 17 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of Auditor General for the year under review was sent to the Chairman of the Sabha on 10 December 2014.

1.2 Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Karuwalagaswewa Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) The value of building materials removed from the Saliyawewa Fair Site and the balance stock of interlocking blocks produced amounting to Rs.249,764 as at 31 December 2013 had been omitted from the financial statements.
- (b.) Capital expenditure amounting to Rs.328,268 incurred at 04 instances during the year under review had been brought to account as revenue expenditure.
- (c.) The interlocking blocks factory of which the value of works completed was Rs.309,996 had been brought to account as Rs.399,996 and as such, the value of land and buildings had been overstated in the financial statements by Rs.90,000.
- (d.) The trailer bearing No.RW-8952 valued at Rs.338,900 had been shown at a value of Rs.200,000 and therefore, the value of motor cars and carts had been understated in the financial statements by Rs.138,900.

- (e.) The balance of water tax in arrears had been overstated by Rs.139,780 and due to this, the excess of the year under review and the revenue debtors had been overstated in the financial statements by a similar amount.
- (f.) The balance of street lamp equipment as at 31 December 2013 and money receivable on sale of interlocking blocks respectively had been overstated in the financial statements by Rs.14,642 and Rs.32,980 and the balance stock at stores and the tube well charges in arrears respectively had been understated by Rs.6,484 and Rs.230,253.

1.3.2 Accounts Receivable

The total of the balances of accounts receivable as at 31 December 2013 amounted to Rs.16,622,489 and of this, the total of balances receivable for over 03 years amounted to Rs.82,376.

1.3.3 Accounts Payable

The total of the balances of accounts payable as at 31 December 2013 amounted to Rs.12,876,269 and of this, the total of the balances payable for over one year amounted to Rs.3,950,605.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.32,594,779 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

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 2013 amounted to Rs.2,245,205 as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,146,077 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The progress of collection of revenue relating to the year under review is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.' 000	Rs. '000
(i.) Rates and Taxes	200	149	51
(ii.) Rent	634	631	3
(iii.) Licence Fees	595	521	74
(iv.) Service Charges	657	1,163	(506)
(v.) Warrents and Fines	3,530	1,463	2,067
(vi.) Other Revenue	1,078	112	966

2.3 Stamp Fees

The stamp fees due from the Registrar General as at 31 December 2013 had not been computed and brought to account and the internal billing for the year was Rs.793,000.

3. Operating Review

3.1 Performance Evaluation

According to performance evaluation among the Local Authorities done by the Department of Local Government, North Western Province in year 2013; a progress had been shown only in respect of library, pre-schools, works and data base and no progress had been shown in respect of Ayurveda, Weekly Fair and Waste, Annual Plans, Children's Parks and Clean city. Performance reports had not been prepared for the year 2013.

3.2 Operating Inefficiencies

The following observations are made.

- (a.) A sum of Rs.57,765 had been spent for purchase of water pipe accessories and other water equipment for the Ipalogama Water Project and these purchases had been made without calling for quotations.
- (b.) The register relating to the Ipalogama Water Project had not been updated and as such, the balance of water charges in arrears as at 31 December 2013 had not been brought to account.
- (c.) 8,606 Litres of fuel had been purchased during the year 2013 in respect of 07 vehicles of the Sabha and a sum of Rs.1,089,513 had been spent on fuel. The fuel expenses of the Sabha represents 6% of the total recurrent expenditure.

3.3 Idle and Underutilized Physical Resources

The following observations are made.

- (a.) Mahendra Single Cab bearing No.WP LE-7454, the Tractor and Trailer bearing No.49-2271 and 46-5800 and the Four Wheel Mini Tractor bearing No.49-1999 had remained idle in the Sabha premises, without action being taken to repair or dispose of them.
- (b.) The Clerks' Quarters within the Sabha premises had remained idle for over a long period without being used for any purpose.

3.4 Contract Administration

The following observations are made.

- (a.) Laying interlocking blocks to Sagini Wewa Road, 17th Mile Post, had been completed on 07 December 2013 at a cost of Rs.444,781. However, a field inspection carried out on 30 January 2014 revealed that the front and end concrete walls and the left side concrete wall of the road had been cracked and that interlocking blocks had not been laid at certain places at the beginning point of the road.
- (b.) A field inspection carried out on 30 January 2014 on Vidya Chakravarthi School Road which had been completed on 19 November 2013 at a cost of Rs.449,961 revealed that the both sides of the road had not been graveled and rolled. Further, the concrete wall in front of the road also had been broken.
- (c.) Laying of interlocking blocks to the road from Galawewa School to Rajagana Yaya 06 Road had been completed at a cost of Rs.443,583 under the provisions of Maga Neguma Fund. A field inspection carried out on 30 January 2014 revealed that the front and end concrete walls of the road had been broken. Retaining walls of both sides of the road had been constructed to a length of 279 feet. But, this plan had been changed subsequently and the front of the road had been widened and as such the retaining walls had been concreted to a length of 279 feet. However, of this 46 feet had been idling. Accordingly, the works had not been completed as per the estimates.
- (d.) It was observed that a 3.5 inches column for which interlocking blocks had not been laid in certain places of both sides of all the roads had been covered with metal dust.

4. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Contract Administration
- (d.) Control over Vehicles