

Karuwalagaswewa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 24 August 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 07 November 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Karuwalagaswewa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with 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 2012 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 value of works completed of the Ipalogama Water Project amounting to Rs.27,234,086 had been omitted from the accounts.

2. Financial and Operating 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 2012 amounted to Rs.4,146,077 as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,845,183 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a.) The value of the balances of accounts receivable as at 31 December 2012 amounted to Rs.15,523,553 and this included balances totaling Rs.1,731,769 due for over 01 year.
- (b.) The total of the employees loan balances due as at 31 December 2012 amounted to Rs.1,502,255 and the balances over 01 year amounted to Rs.965,640.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	200	132	68
(ii.) Rent	555	414	141
(iii.) Licence Fees	640	380	260
(iv.) Service Charges	5,665	2,601	3,064
(v.) Warrant Charges and Fines	2,580	1,249	1,331
(vi.) Other Revenue	1,280	119	1,161

2.3.2 Court Fines and Stamp Fees

Money receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 had not been computed and brought to account and the estimated values for the year under review are shown below.

	Rs.
(i.) Court Fines	1,500,000
(ii.) Stamp Fees	1,000,000

2.3.3 Acre Tax

Acre tax should be recovered from the lands not less than one Hectare or more within the area that are used regularly for farming. But the Pradeshiya Sabha had not taken action to recover acre tax.

2.4 Idle and Underutilized Physical Resources

Sample audit checks revealed that a land, official quarters. 05 stalls and 05 vehicles totaling Rs.3,568,943 owned by the Sabha had been idling and remained underutilized for periods from 2 to 05 years.

2.5 Irregular Transactions

- (a.) A Road Labourer of the Sabha had purchased street lamps valued at Rs.23,925 from a supplier not registered at the Sabha; on the necessity of the Chairman contravening the purchase procedure during the year under review.
- (b.) The water pipe lines had been extended by 3936 long feet from Thabbowa Church Junction to the Sub-post Office spending a sum of Rs.86,592 from the Sabha funds during the year under review. However, this had not been used even by August 2013 to lack of adequate water capacity and therefore it had become a failed development programme.
- (c.) Construction of the Moonamalgaswewa Water Tank commenced in 2011 under the Provincial Specific Development Grants amounting to Rs.1,200,000 had not been completed up to December 2012 and action had not been taken to supply water to the people of the area even by August 2013.
- (d.) Consumption of fuel units had been increased by 54% and the expenditure on fuel had been increased by 128% during the year 2012 when compared to the year 2011. There was a significant increase of consumption of fuel units by 75% and the fuel expenses by 172% of the Cab used by the Chairman when compared to 2011.
- (e.) The cement block production factory of which the construction completed by the Sabha in the year 2011 had failed to produce any product during the year under review.

- (f.) The Sabha had not even attempted to a waste management procedure as a solution to the waste collection problem of the area of the Sabha.
- (g.) An annual action plan had not been prepared.

2.6 Ipalogama Water Project

A water project had been implemented within Ipalogama area during the year under review at a cost of Rs.26,275,580 from the financial provisions by the Asian Development Bank credit assistance and contributions of the Sabha under the sole supervision of the Local Government Infrastructure Development Project. A physical examination carried out on 24 January 2013 revealed the following.

- (a.) The works had been commenced on 04 January 2011 and the Project had not been handed over up to 12 July 2012 due to delay in construction works.
- (b.) There were water leaks in few places when the water filled to the total capacity of the tank.
- (c.) A PVC pipe 4” had been laid to a length of 31’ from the well to the pump house and the pipe had not been covered. Water was leaking at few places at the ground level and outside water mixed with agro-chemicals was seeping to the well.
- (d.) A sum of Rs.26,275,579 had been paid to the contractor at 05 instances including the 20% advance for the construction works of the Ipalogama Water Project. Nevertheless, 10% retention money had not been retained at any payment and the money that should retained amounted to Rs.2,627,558.

2.7 Internal Audit

An adequate internal audit had not been carried out at the institution.

3. 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.) Assets Management
- (d.) Control over Contracts
- (e.) Control over Vehicles