

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 for audit on 25 March 2015 and the financial statements for the preceding year had been presented on 17 March 2014. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 13 August 2015.

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 2014 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Accounting Deficiencies

The following accounting deficiencies are observed.

- a) The value of stamp fees receivable for the period from 01 May to 31 December in the year under review had not been computed and brought to account, whilst the estimated amount of Rs.500,000 had not been brought to account.
- b) The value 30 street lamp sets received as donations from Karuwalagaswewa Divisional Secretariat in the year 2014 had not been brought to account.
- c) The water taxes in arrears with respect to Ipologama Water Project had been understated by Rs.270,905. Therefore the value of accounts receivable and the surplus, in the year under review had been understated by a similar amount.

1.3.2. Un-reconciled Control Accounts

There was a difference amounting to Rs.275,876 between balances in the relevant subsidiary registers and balances in the financial statements, with respect to 02 items of accounts.

1.3.3. Accounts Receivable and Payable

As at 31 December 2014, the total balances of accounts receivable amounted to Rs.24,306,134 and total balances of accounts payable amounted to Rs.24,775,207.

1.3.4. Non-compliance with Laws, Rules and Regulations

Action had not been taken to collect the income due for the Sabha properly, as stipulated in the Sections 129 (2) (a) and (d), of the Pradeshiya Sabha Act No. 15 of 1987, whilst necessary legal action had not been taken as stipulated in the Section 150 of the Act with respect to the business entities located within the area under the authority of the Sabha, which default the licence fees. Further, action had not been taken in accordance with the Section 158 of the Act, to recover the arrears by confiscating the movable property, owned by the personnel for defaulting the rates and taxes and acre taxes, in the area under the authority of the Sabha.

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 2014 amounted to Rs.4,935,974, as compared with the excess of revenue over recurrent expenditure amounting Rs.2,245,205 for the preceding year. The capital aid received in the year under review and in the preceding year, amounted to Rs.12,922,423 and Rs.7,229,051 respectively, and the capital expenditure in the year under review and in the preceding year, amounted to Rs.14,183,871, and Rs.10,081,320, respectively. When these amounts are considered, there had been a surplus of Rs.3,674,526 in the year under review, whilst there had been a deficit of Rs.607,064 in the preceding year. Therefore the financial result in the year under review had been improved by Rs.4,281,590

2.2. Working Capital Management

According to the accounts presented with respect to the year under review, the working capital ratio (current assets: current liabilities) was 1.46:1. The ratio in the preceding year was 1.36:1.

2.3. Revenue Administration

2.3.1. Performance on Revenue Collection

The progress on revenue collection relevant to the year under review and the preceding year, are indicated below.

Item of Revenue	2014			2013		
	Estimated	Actual	Cumulative	Estimated	Actual	Cumulative
			Arrears			Arrears
			as at 31-Dec			as at 31-Dec
	Rs.000,	Rs.000,	Rs.000,	Rs.000,	Rs.000,	Rs.000,
Rates and Taxes	200	143	57	200	149	51
Rent	588	553	35	634	631	3
Licence Fee	805	660	145	595	521	74
Charges for Services	669	1,266	(597)	657	1,183	(506)
Water Taxes-Karuwalagaswewa	594	578	16	-	-	-
Bulk Water Project	169	134	35	-	-	-

2.3.2. Rates and Taxes and Other Taxes

- a) The percentage of collection of rates and taxes with respect to the billed amount during the year under review was around 72%, whilst the rent in arrears due at the beginning of 2014 had been Rs.81,900. Out of this Rs.44,300 had been recovered, whilst the arrears at the end of the year had been Rs.72,300.
- b) Though a sum of Rs.1,651,521 had been spent from the Sabha funds for 09 vehicles, up to end of the year under review, the relevant running charts and monthly summaries had not been presented for the audit.

2.3.3. Court Fines and Stamp Fees

Only a part of the stamp fees and court fines due for the year 2014 had been recovered, whilst the estimated amount in the annual budget had been brought to account as amount receivable.

3. Operating Review

3.1. Human Resource Management

The post of Secretary of the Sabha had been vacant for several years, whilst there were vacancies for 11 posts in the Secondary Grade, and 04 posts in Primary Grade. Three employees had been recruited for the posts of Overseer, Watcher and Plumber on casual basis and the salaries had been paid based on monthly and daily allowances.

3.2. Idle and Underutilized Assets

Mahendra Single Cab bearing number WP LE – 7454 valued at Rs.1,319,050 and tube-well equipment which had not been valued, had been kept idling in the Sabha premises for a long period. 03 buildings valued at Rs.1,678,223; a building which had not been valued; machinery and equipment valued at Rs.155,000; and 04 vehicles which had not been valued; belong to the Sabha had been kept idling in the Sabha premises without utilizing.

4. Accountability and Good Governance

4.1. Internal Audit

The internal audit plan, and the copies of internal audit reports relevant to the year under review, had not been submitted for the audit as stipulated in Rule 82.8 of North-Western Province Financial Rules.

4. Systems and Controls

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

- a) Accounting
- b) Vehicles Control
- c) Revenue Administration