

**Karuwalagaswewa Pradeshiya Sabha
Puttlam District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 24 March 2016 while Financial Statements relating to the preceding year had been submitted on 25 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 20 July 2016.

1.2 Qualified Opinion

In my opinion except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Karuwalagaswewa Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) General store balance of Rs.2,685 as at 31 December 2015 had been overlooked while the electric bulk store balance amounting to Rs.37,250 had been under accounted.
- (b) Industrial creditors at the end of the year under review had been over accounted by Rs.309,252. Accordingly debtors too had been overstated by the same amount.

1.3.2 Accounts payable and receivable

Total of the account balance receivable as at 31 December 2015 amounted to Rs.15,427,139 while the total of the account balance payable amounted to Rs.24,775,207.

1.3.3 Lack of Evidence for Audit

Account balance amounting to Rs.120,375,331 could not be verify satisfactorily at the audit due to non submission of information required.

1.3.4 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with laws, rules and regulations are indicated below:

- (a) Action had not been taken to formally recover court fines, stamp fees and lease rent receivable to the Pradeshiya Sabha as stipulated under Section 129 (2) (a) and (f) of the Pradeshiya Sabha Act No 15 of 1987 and to take legal action against individuals evading the payment of rates and taxes within the area of authority as per Section 158 of the same Act.
- (b) Action had not been taken in terms of Rule 5 (7) and Rule 217 of Pradeshiya Sabha Rules (Finance and Administration) 1988.
- (c) Action had not been taken in terms of FR 571 of the Republic of Sri Lanka with regard to 14 deposits valued at Rs.58,100 having remained over 02 years.

02. Financial Review

2.1 Financial Result

According to financial statements presented, the excess of recurrent expenditure over income of the Sabha for the year ended 31 December 2015 amounted to Rs.6,368,661 as compared with the excess of the recurrent expenditure over income for the proceeding year amounted to Rs. 4,935,974.

2.2 Analytical Financial Review

Structure of Expenditure

Budgeted and actual expenditure of the Sabha along with relevant variance during the year under review are indicated below.

<u>Item of Expenditure</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
	<u>'000</u>	<u>'000</u>	<u>'000</u>
<u>Recurrent</u>			
<u>Expenditure</u>			
Personal emoluments	22,434	17,707	4,727
Other	7,943	6,828	1,115
	-----	-----	-----
Sub total	30,377	24,535	5,842
Capital Expenditure	101,589	9,236	92,353
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Grand Total	131,966	33,771	98,195
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2.3 Working Capital Management

Information relating to the management of working capital of the Sabha for the year are given below:

2015		2014	
<u>Current Assets</u>	<u>Current Liabilities</u>	<u>Current Assets</u>	<u>Current Liabilities</u>
1.52	1	1.36	1

Accordingly favourable trend is observed with regard to working capital.

2.4 Revenue Administration

2.4.1 Performance on Revenue Collection

Performance on revenue collection of the Sabha for the year under review are as follows:

Item of Revenue	Estimated	Actual	Acumulative arrears as at 31 December
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	Rs.	Rs.	Rs.
	'000	'000	'000
Rates & Taxes	535	334	201
Rent	607	537	70
License Fees	718	734	(16)
Charges for Services	1,032	900	132
<u>Water Tax</u>			
- Karuwalagaswewa	559	477	82
- Ipalogama	1,436	1,481	(45)
- Bulk Water Project	420	303	117

2.4.2 Rates & Taxes

Rates & taxes in arrears which remained at 29% in the previous year had been increased upto 38% during the year under review.

2.4.3 Rent

Rent of Rs.72,300 were to be recovered at the begining of the year under review of which Rs.34,700 had been recovered with the total in arrears being Rs.69,500 recoverable at the end of the year.

2.4.4 Water Tax

Arrears of bulk water projects of Karuwalagaswewa as at 31 December of the year under review amounted to Rs.127,000 and Rs. 117,000 respectively. These arrears which had been 3% and 21% of the billed amount of the previous year had been increased upto 23% and 29% of the billed amount of this year.

2.4.5 Court Fines and Stamp Fees

The following matters are observed.

(a) Court Fines

Although the estimated court fines of the year under review amounted to Rs.4,000,000, during the period from January to September 2015 a sum of Rs.1,394,669 had been recovered.

(b) Stamp Fees

Although the estimated stamp fee income during the year under review amounted to Rs.3,000,000, action had not been taken to calculate and bring stamp fees from May 2014 upto the end of December 2015 from the Chief Secretary.

3. Operating Review

3.1 Management Inefficiencies

Although revenue had been earned from Foton Type Backhoe Loader No.ZA-5261 and Motor Grader bearing No.ZA-5338, their running charts were not submitted for auditing.

3.2 Identified Losses

229 library books valued at .Rs.41,614 had been lost during the year under review but action had not been taken to recover the relevant loss.

3.3 Contract Administration

Following observations are made in this regard:

- (a) Although authority had been deligated to the Technical Officer of the Sabha to prepare estimates upto the value of Rs.500,000, that limit had been exceeded..
- (b) Whereas Industrial Technology Evaluation Committee should consist of an outside member having knowledge in the relevant field it had been consisted of three officers of the Sabha itself.

3.4 Solid Waste Management

Although the solid waste recycling building constructed at a cost of Rs.1,338,227 had been handed over to the Sabha on 06 November 2014, it had failed to make use of it in a productive manner.

4. Good Governance and Accountability

4.1 Budgetary Control

Due to the inability to make use of the previous years estimates, data, actual expenditure and previous experience in the preparation of estimates for 2015 over/under allocations happened. Therefore it has not been possible to use budget as expenditure controlling method.

4.2 Annual Procurement Plan

Annual Procurement Plan had not been prepared..

4.3 Audit and Management Committees

Only one audit and management committee meeting had been held in 2015.

4.4 Assets Management

(a) Annual Board of Survey

Although Board of Survey reports had been submitted for 2015 formal action had not been taken to implement its recommendations.

(b) Irregular Use of Non Transferred Assets

(i) Although the Sabha had continued to occupy 63 land block nearly 46 ha. in extent, action had not been taken to transfer the same to the Sabha.

(ii) Action had not been taken to transfer ownership of 06 vehicles made available to the Sabha by the Ministry of Provincial Councils and Local Government during the period from 2013-2015.

(c) Idle and Under Utilized Assets

06 buildings valued at Rs.16,914,920 and stone processing machine and the processing block valued at Rs.145,000 and Rs.10,000 respectively had been kept idle for a long period.

4.5 **Unsettled Liabilities**

As at 31 December of the year under review, there were unsettled liabilities amounting to Rs.13,069,499 of which account balance amounting to Rs.42,558 had been remained over a period of 03 years.

4.6 **Human Resources Management**

Approved & Actual Cadre

The post of the Secretary of the Sabha had been remained vacant over number of years while 07 post in secondary grade and 06 in the primary grade had been remain vacant.

5. **Systems & Controls**

Special attention of the Sabha is drawn to the following fields of systems & Controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Store Keeping.