

Karuwalagasweva Pradeshiya Sabha
Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 24 March 2017 and the financial statements for the preceding year had been presented on 24 March 2016. The report of the Auditor General for the year 2016 had been sent to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Karuwalagasweva Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Decrease in Net Assets

Net assets had decreased by Rs.1,329,326 as at the end of the year under review as compared with the preceding year.

1.3.2 Unreconciled Control Accounts

According to the financial statements relating to 05 Items of Accounts, the total of the balances had been Rs.53,990,989 and according to the subsidiary registers, the total of the balances of accounts had been Rs.53,091,505, thus indicating a difference of Rs.899,484.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The balances of accounts receivable as at 31 December 2016 totalled Rs.52,401,645 and out of that, balances remained unrecovered over a period of 03 years totalled Rs.2,284,950.

(b) Accounts Payable

The balances of accounts payable as at 31 December 2016 amounted to Rs.54,526,945 and out of that, the value of balances unsettled over a period of 3 years had been Rs.890,810.

1.3.4 Lack of Evidence for Audit

Evidence for the confirmation of balances of assets and liabilities totalling Rs.819,226 relating to 07 Items of Accounts, had not been made available to Audit.

1.3.5 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

The following non-compliance was observed.

| Reference to Laws, Rules, Regulations, Management Decisions ----- | Non-compliance ----- |
|---|--|
| Pradeshhiya Sabha (Financial and Administrative) Rules -1988 ----- Rule 217 | Details on all lands and buildings owned by the Sabha had not been recorded in a Register in terms of Format P.S.46. |

02 Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 had been Rs.1,490,368 as compared with the corresponding excess of revenue over recurrent expenditure of Rs.6,368,661 for the preceding year.

2.2 Analytical Financial Review

The increase in recurrent expenditure and decrease in other revenue of the Sabha had been the main reason for the decline in the financial result by Rs.4,878,293.

2.3 Working Capital Management

The current assets ratio of the year under review had been 1.05:1 while it had been 1.51:1 in the year 2015, thus observing deterioration in the working capital in the year 2016 as compared with the year 2015.

2.4 Revenue Administration

2.4.1 Performance in Collection of Revenue

The recovery of billed rates for the year under review had been 79 per cent and the recovery of arrears in preceding years had been 55 per cent.

2.4.2 Rates and Taxes

Rates and taxes amounting to Rs.240,313 was recoverable as at the end of the year under review.

2.4.3 Rents

Rental amounting to Rs.107,472 was recoverable as at the end of the year under review.

03. Operating Review

3.1 Evaluation of Performance

Performance Report for the year 2016 had not been prepared.

3.2 Idle and Underutilized Assets

The Waste Management Project valued at Rs.1,338,227 and a holiday resort valued at Rs.4,594,050 had remained idle over a period of 02 years.

3.3 Solid Waste Management

There was a possible risk of various environmental issues arising due to open disposal of garbage collected daily in the city.

3.4 Human Resources Management

Approved cadre and Actual cadre

The approved cadre of the Sabha as at 31 December 2016 stood at 58 while the actual cadre stood at 47.

The following observations are made in this connection.

- (a) The post of Secretary of the Sabha had been vacant since many years.

- (b) Even though an officer each had been recruited for the posts of Development Officer, Driver, Labourer and Library Assistant in the staff, the approval of the Department of Management Services had not been obtained for those posts.

4. Accountability and Good Governance

4.1 Budgetary Control

Even though provisions amounting to Rs.1,700,000 had been made from the Fund of the Sabha in the year 2016 for performing 04 works, other 05 works had been implemented by spending Rs.1,083,570 from the Fund of the Sabha without implementing estimated works by the end of the year.

4.2 Annual Procurement Plan

An Annual Procurement Plan had not been prepared for the year 2016.

4.3 Audit and Management Committee

Only two Audit and Management Committee meetings had been held for the year under review.

05. Systems and Controls

Weaknesses in systems and controls revealed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time by my audit queries and special attention is needed in respect of the following areas of control.

| System | Observation |
|------------------------|--|
| ----- | ----- |
| (a) Control of Revenue | Failure in taking action to collect arrears of revenue. |
| (b) Stores Control | Failure in updating the inventory and improper control of stores. |
| (c) Waste Management | Failure in paying attention to the risk of environmental issues arising due to disposal of garbage collected daily in the area of authority of Sabha, to open areas. |