

Karuwalagaswewa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presenting financial statements

The financial statements for the year 2019 were submitted for audit on 28 February 2020 and the Auditor General's summary report on those financial statements was sent to the Chairman on 30 June 2020 and the detailed management report on 24 July 2020.

1.2 Qualified Opinion

Except for the implications of the facts described in the Foundation section for the qualified opinion of this report that the financial statements, as well as the financial position of the Karuwalagaswewa Pradeshiya Sabha as at 31 December 2019 and It is my opinion that its financial performance reflects a true and fair position in accordance with generally accepted accounting principles.

1.3 The Basis for the Qualified Opinion

(A) Accounting deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The amount of Rs.481,642 due to three suppliers for the supply of goods and services during the year under review had not been accounted as creditors.	Expenditure related to the financial year should be accurately identified and accounted.	I will correct it in the future.
(ii) The new constructions and fixtures carried out at the Mahagama Public Library during the year under review at a spend of Rs.663,729 had not been taken into account.	Capital expenditure should be accurately identified and accounted.	I will correct it in the future.
(iii).At the end of the year under review, the Ipalogama Water Project had not been accounted the outstanding membership fees of Rs.158,000 and the electricity bills of Rs. 71,490 due from 10	Income relevant to the financial year should be accurately identified and accounted.	I will correct it in the future.

tenants for the leased shops in the Sabha had not been considered.

(B) Accounts Receivable and Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The total of 07 account balances due to the Sabha as at 31 December 2019 was Rs.10,098,945 out of which the balance due over 03 years was Rs.762,054.	Action should be taken to recover the arrears due to the Sabha as soon as possible.	Part of the arrears of rate tax, water tax, miscellaneous debtors and industrial debtors have been recovered and I will act to recover the remaining cash arrears and rent arrears.
(ii) The total of 06 account balances payable as at 31 December 2019 was Rs.9,770,505 out of which the value due over 03 years was Rs.1,333,996.	Action should be taken to settle the account balances payable expeditiously.	Various creditors, industrial creditors, miscellaneous deposits have been settled and I will settle the deposits on behalf of the remaining balance and income

(C) Lack of Written Evidence Required for the Audit

Audit Observation	Recommendation	Commenting of the Accounting Officer
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Evidence pertaining to 03 subjects of account with a total value of Rs.5,897,151 had not been submitted to the audit.	Written evidence confirming the balance of accounts in the financial statements should be required to submit.	Written evidence regarding the office meeting room and the remaining water pipe fittings in hand will be presented in the future, and I would like to inform you that the Sabha does not have information regarding the tube well charges.

1.4 Non-compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions.

The following discrepancies were observed during the audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(A) Pradeshiya Sabha Act No. 15 of 1987 Section 129 (2) (F)	Proper action had not been taken to recover the Rs. 751,756 in rent.	Further action should be taken to recover the due revenue expeditiously.	Legal action to recover arrears of shop rent has been started.
(B) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Section 571	Number of 14 deposits amounting to Rs. 117,000 over 02 years had not been dealt with.	Financial Regulations should be followed.	I will release the deposit balances exceeding 02 years in future in accordance with the Financial Regulations.

2. Financial Review

2.1. Financial Results

According to the financial statements submitted, the expenditure exceeding the recurring income of the House for the year ended 31 December 2019 was Rs. 1,112, 273.and in contrast, recurring revenue over the previous year was Rs. 2,024,927.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Accumulated Income and Deficit Income

Following is the information on the estimated revenue, billing income, accumulated revenue and arrears submitted by the Pradeshiya Sabha for the year under review and for the previous year.

<u>Source of income</u>	<u>Year 2019</u>				<u>Year 2018</u>			
	<u>Estimated income</u>	<u>Billed income</u>	<u>Collected income</u>	<u>Total Deficit as at 31 December</u>	<u>Estimated income</u>	<u>Billed income</u>	<u>Collected income</u>	<u>Total Deficit as at 31 December</u>
	Rs.000	Rs 000	Rs.000	Rs.000	Rs.000	Rs 000	Rs.000	Rs.000
Assessments and taxes	9,055	5,156	4,396	2,153	5,715	4,400	4,895	1,523
Rent	2,687	1,828	1,600	752	2,601	2,346	2,019	577
Lisences fees	177	-	141	-	242	-	84	-
Other income	39,274	-	34,067	-	36,238	-	27,260	-
	51,193	6,984	40,204	2,905	44,796	6,746	34,258	2,100

Collected income includes income collected from billed income for the year and income collected from arrears.

2.2.2 Revenue Collection Performance

Audit Observation

The total billed income for the year under review was Rs. 6,983,491 and the arrears at the beginning of the year under review were Rs. 2,099,948 and the amount of Rs.5,538,228 from billed income and Rs. 1,109,264 from arrears had been collected during the year under review. Accordingly, the progress of total revenue collection during the year was about 73 percent.

Recommendation

Action should be taken to recover the annual billed income within the year.

Commenting of the Accounting Officer

I will take action to recover the arrears.

2.2.3 Water tax

Audit Observation

The water charge arrears of 63 water consumers in the Karuwalagaswewa and Ipalogama water projects were Rs.132,649 and the arrears of Rs. 158,000 in

Recommendation

should be taken to recover the arrears expeditiously.

Commenting of the Accounting Officer

There were no comments.

31 water consumers of the Ipalogama water project had not been collected.

2.2.4 Rent

Audit Observation	Recommendation	Commenting of the Accounting Officer
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Out of the Rs.1,185,177 bills billed for the year under review, Rs.927,032 was charged during the year and it was 78 percent of the bill amount. Outstanding shop rent at the beginning of the year under review was Rs.520,757 and Rs.124,362 had been charged during the year and it was 24 percent of the arrears at the beginning of the year.	Action should be taken to recover the rent of the shop billed during the year.	There were no comments.

2.2.5 Court Fines

Audit Observation	Recommendation	Commenting of the Accounting Officer
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The court fine due from the Chief Secretary of the Provincial Council as at 31 December 2019 was Rs.2,725,644.	All penalties for the year under review should be identified and recovered.	All the court fines due for the year 2019 amounting to Rs. 2,725,644 have been received in the year 2020.

3. Operational review

3.1 Performance

Following are the observations made under Section 3 of the Pradeshiya Sabha Act regarding the regulation and control of matters relating to public health, public utility services and public roads, and the performance of the functions of the Council which were to be performed by the wellbeing, convenience and welfare of the people.

(A) **By-laws****Audit Observation****Recommendation****Commenting of the
Accounting Officer**

Under Section 126 of the Pradeshiya Sabha Act, by-laws had to be imposed to fulfil 30 main matters, but by 31 December 2019 by-laws had been imposed for only three matters.

Relevant by-laws should be imposed to provide services for the public welfare.

I have referred to the Commissioner of Local Government to compile and amend new by-laws for the provision, control and management of places for public recreation, and will take action in the future to impose other matters.

(B) **Unfulfilled Tasks****Audit Observation****Recommendation****Commenting of the
Accounting Officer**

The number of 26 tasks which had been allocated Rs. 63,418,000 in the annual budget had not been completed during the year and only Rs. 299,059 had been spent during the year out of the estimated capital expenditure of Rs. 62,350,000 in the year under review. It is 0.48 percent of the estimated value.

Action should be taken to accomplish the tasks proposed by the annual budget.

All the projects proposed by the budget could not be implemented due to the low-income status of the Sabha and the non-receipt of assistance from other Ministries including provincial specific assistance.

(C) **Solid Waste Management****Audit Observation****Recommendation****Commenting of the
Accounting Officer**

Although a waste management project was initiated in 2014 spent of Rs. 1,338,227 and in 2018 spent of Rs. 719,200, the waste recycling process has not started other than collecting and disposing of garbage in the city.

Garbage should be recycled and disposed in a proper manner

Garbage is collected under solid waste management projects and they are segregated into non-perishable and perishable waste and sold as non-perishable. Since there is not a large amount of decomposing waste, the composting process has been started under the pit system.

(D) Sustainable Development Goals

Audit Observation	Recommendation	Commenting of the Accounting Officer
The 20 activities planned to be implemented in 2019 had not been started during the year.	Action should be taken to achieve sustainable development goals and objectives.	It was a very low income Sabha and could not perform the relevant functions.

3.2 Management inefficiencies

Audit Observation	Recommendation	Commenting of the Accounting Officer
(A) The amount of Rs.1,089,055 had been spent for the construction of the Ollukkuliya well, construction of a fence around the well and preparation of the access road which had been carried out on a private land under the Backward and Isolated Village Project 2017 and the land with these constructions had not been taken over by the Sabha.	Action should be taken to take over the relevant land to the Sabha.	The owner of the land where the constructed well is located has given his consent in writing. Requests have been made to the Divisional Secretariat on 02.11.2017 to issue the necessary measurement order to survey this land. I would like to inform you that necessary steps will be taken to carry out this work as soon as possible.
(B) By the end of the year under review, 16 stalls rented by the Sabha had been closed and the arrears of rent and arrears of electricity due from the 16 stalls closed and 16 shops still in operation were Rs.565,471 and arrears Duration ranged from 02 months to 10 months.	Action should be taken to recover arrears of shop rent and electricity bills.	The outstanding summons has been sent to the lease shop renters through a lawyer. Courts are acting in the coming days.
(C)The electric poles used by the Sabha were not numbered and the number of lamps maintained by the church was not clearly identified and documented. Furthermore, the proper maintenance of street	Street lampposts should be numbered and formal documentation regarding street light maintenance should be maintained.	All arrangements had been made for the numbering of street lights but due to the corona disaster situation prevailing in the country, the number of street lights could not be numbered and I will take steps to do so

lights was not properly documented, and it was observed that the Sabha lacked strong internal control over road lighting, lighting installation and maintenance.

immediately.

3.3 Human Resource Management

Audit Observation

Recommendation

Commenting of the Accounting Officer

There were vacancies in 03 posts of Librarian belonging to Secondary Grade, one post of Technical Officer, one post of Pre-School Teacher, one post of Work Inspector and one post of Management Assistant.

Staff vacancies should be filled properly as required.

Appointments to secondary level posts are made only by the Provincial Public Service Commission and staff report information is sent quarterly in this regard.

3.4 Asset Management

3.4.1 Non-performing and Underutilized Assets

Audit Observation

Recommendation

Commenting of the Accounting Officer

The Neelabamma Holiday Resort, built by spending of Rs. 21,262,185 in 2014 and 2018, had two weekly fairs and a water treatment plant were inactive.

Strategies need to be designed and implemented to get the most out of resources.

Strategies need to be designed and implemented to get the most out of resources. Land acquisition of Neelabemma Holiday Resort is in progress. The Tabbowa and Weerapura weekly fairs and water treatment plants were tendered in January 2020. But no applicants came forward. Bids have been called back in May for the water treatment plant. Bidding will take place in June.

3.5 Non-Acquired Assets

----- Audit Observation -----	----- Recommendation -----	----- Commenting of the Accounting Officer -----
The Sabha had not taken over the legal ownership of the 70 land on which the Sabha buildings and the playgrounds, community halls and cemeteries owned and maintained by the Sabha were located.	The Sabha should act to acquire assets that are enjoyed but not acquired.	I will act to acquire in the future.

3.6 Procurement

----- Audit Observation -----	----- Recommendation -----	----- Commenting of the Accounting Officer -----
<p><u>(A) Hire a backhoe to cut the drains of the Rambawewa water project</u></p> <p>The Procurement Committee had received and evaluated the unsealed open bids submitted by the suppliers for the above purpose contrary to Section 6.3.3 (e) of the Government Procurement Guidelines 2006.</p>	Procurement should be done in accordance with the provisions set out in the Procurement Guidelines.	The bids were submitted by small suppliers in the area, who submitted unsealed bids without following the instructions in the Procurement Guide. I have accepted all bids received in anticipation of greater competition and will abide by the relevant rules and regulations in the future.
<p><u>(B) Purchasing of water pipe fittings for Rambawewa water project</u></p> <p>Contrary to paragraph 6.2.2 of the Government Procurement Guidelines 2006, bids were allowed for five days for the above purpose. Further, a formal agreement had not been signed as per Section 8.9.1. (b) of the Government Procurement Guidelines regarding the supply of the above goods amounting to Rs.8,715,530.</p>	Procurement should be done in accordance with the provisions set out in the Procurement Guidelines.	Bids were given for 07 days for the relevant work and bids were made again with the reduction of VAT. Bids were invited from the first three suppliers with a bid period of only 05 days. Following the VAT revision, the council made a profit of over Rs. 550,000 and there was no reduction in competition. I will make arrangements to purchase the material in the future.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Commenting of the Accounting Officer
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<p>Although an audit plan had been prepared for the year under review, no plans had been drawn up and implemented to inspect the areas owned by the Sabha such as libraries, pre-schools, public service provision and street lighting maintenance.</p>	<p>The audit should be planned and audited to cover important areas.</p>	<p>An audit plan has been prepared for this year and it does not include the library, pre-school, public service provision, street lighting maintenance etc. owned by the church and I will take necessary steps to prepare and implement plans in the future.</p>