

**Karuwalagaswewa Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 21 March 2018 and the Report of the Auditor General relating to those Financial Statements had been sent to the Chairman on 28 September 2018.

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 2017 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 matters were observed.

- (a) According to the Schedule of arrears of lease rentals recoverable as at the end of the year under review amounted to Rs.212,738 while according to the financial statements, it had been shown as over recovery of Rs.23,734.
- (b) Expenditure of Rs.1,093,013, Rs.1,192,183 and Rs.88,541 incurred respectively for repairing of roofs of the Thuru Sevana stalls, fixing of iron doors for the stalls of the Saliyawewa bus station and purchase of office equipment had not been capitalized.
- (c) Provisions had not been made in the financial statements for a sum of Rs.200,000 payable as at the end of the year under review for constructing the Aluthgama multi-purpose building.
- (d) The sum of Rs.645,570 received for works executed by the Sabha under the direct labour basis of the Rambawewa Water Supply Scheme had been shown as creditors in the financial statements.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover a sum of Rs.592,082 older than 03 years from 07 receivable accounts amounting to Rs.20,166,890 as at 31 December 2017.

(b) Accounts Payable

Action had not been taken to settle a sum of Rs.925,009 unpaid for over a period of 03 years from 06 payable accounts amounting to Rs.7,329,199 as at 31 December 2017.

1.3.3 Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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(a) Sections 129 (2) (a) and (f) of the Pradeshiya Sabha Act, No.15 of 1987	Rs. 595,444	Action had not been taken to recover court fines, stamp fees and lease rent receivable to the Pradeshiya Sabha properly.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	65,300	Action had not been taken relating to 19 deposits lapsed for 2 years.

2. Financial Review

2.1 Financial Result

According to financial statements presented, excess of expenditure over recurrent revenue of the Sabha for the year ended 31 December 2017 had been Rs.2,366,445 as against the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.1,490,368.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

- (a) Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

Source of Revenue	<u>2017</u>				<u>2016</u>			Total Arrears as at 31 December
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	5,347	3,866	3,373	1,449	1,830	3,810	3,978	956
(ii) Rent	3,777	1,438	1,331	227	2,559	636	582	124
(iii) Licence Fees	468	149	149	-	867	491	491	-
(iv) Other Revenue	8,933	447	447	-	5,241	5,002	5,002	-

Note: The collected revenue comprises of recoveries from revenue billed for the year and recoveries from arrears of revenue of preceding years.

2.2.2 Performance of Collection of Revenue

The total revenue billed for the year under review amounted to Rs.5,901,616 while the arrears of revenue at the beginning of the year under review was Rs.1,076,375. A revenue of Rs.5,301,825 equivalent to 76 per cent had been collected in the year under review.

2.2.3 Rates and Taxes

The following matters were observed.

- (a) Out of rates and taxes amounting to Rs.3,867,000 billed for the year under review, only a sum of Rs.3,373,618 equivalent to 61 per cent had been collected.
- (b) Out of arrears of rates and taxes amounting to Rs.956,203 as at the beginning of the year under review, a sum of Rs.668,314 equivalent to 70 per cent had been collected during the year.

2.2.4 Rents

The following matters were observed.

- (a) Out of rentals amounting to Rs.1,438,448, billed for the year under review, a sum of Rs.1,241,110 equivalent to 92 per cent had been collected.
- (b) Out of rentals in arrears amounting to Rs.124,372 at the beginning of the year under review, a sum of Rs.90,672 equivalent to 73 per cent had been collected during the year.

3 Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people within the area.

(a) By Laws

Even though By Laws should have been enacted for executing 30 key functions in terms of Section 126 of the Pradeshiya Sabhas Act, By Laws had been enacted only for 07 functions by 31 December 2017.

(b) Failure in making Provisions

According to the Annual Action Plan prepared, provisions had not been made from the annual budget for 08 functions with an estimated value of Rs.1,155,000 which should have been performed by the Sabha. As such, those functions could not be performed.

(c) Functions abandoned

Eleven functions for which provisions of Rs.103,100,000 had been made by the annual budget, had not been performed.

(d) Solid Waste Management

Even though a waste management project had been commenced in November 2014 by spending a sum of Rs.1,338,227, no waste management process had been commenced even by April 2018 except for the collection and disposal of waste in the area of authority of the Sabha.

(e) Sustainable Development Goals

The following matters were observed on the goals and targets to be achieved in terms of the 2030 Agenda on Sustainable Development Goals of the United Nations Organization.

- (i) Attention had been paid on creating an office environment suitable for providing the people with more efficient service with development of infrastructure facilities required by the public, preservation of food, environmental conservation and uplifting of villages with low income as initial steps in achieving sustainable development goals.
- (ii) The Sabha had identified indices by which sustainable development goals, expected targets and progress could be measured. However, the data base for measuring expected targets such as providing everybody with clean water, waste management and improving the living standard of the people, had not been identified during the year.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Action had not been taken to recover the fee of Rs.66,000 receivable to the Sabha for 16 telephone towers fixed in the area of authority of the Sabha.

- (b) Only a sum of Rs.2,100 had been collected in the year under review from the Thabbowa weekly fair as **income** and this fair which had been constructed by spending a sum of Rs.10,000,000 by the Weekly Fair Development Project of the North Western Province in the year 2014, had been in an inoperative condition after July 2017.
- (c) Action had not been taken to recover the value of misplaced library books amounting to Rs.45,384 from responsible parties.
- (d) According to the Board of Survey which had been conducted as at the end of the year under review, the value of misplaced books amounting to Rs.67,853 had been eliminated from the assets accounts without obtaining approval.

3.3 Human Resources Management

According to the approved and actual cadre as at 31 December 2017, eight vacancies in the primary and secondary levels had not been filled.

3.4 Assets Management

3.4.1 Idle and Underutilized Assets

The Waste Management Project and the Neelabamma Holiday Resort valued at Rs.6,338,227 constructed in the year 2014 had remained idle for over a period of 03 years.

3.5 Identified Losses

A number of 8,038 paving blocks manufactured by spending a sum of Rs.137,824 by the Paving Blocks Project of the Sabha had been of sub-standard. As such, a loss had been occurred to the Sabha.

3.6 Procurement

3.6.1 Procurement Plan

The Sabha had not prepared a Procurement Plan for the year under review.

3.6.2 Contract Administration

Deficiencies such as separation of the connection between pillars and walls, cracking of the cement surface of the floor of one stall and not painting the back walls properly were observed in the stalls of Saliyawewa Bus Station, constructed by spending a sum of Rs.4,084,978.

4. Accountability and Good Governance

Internal Audit

Even though an internal audit plan had been prepared for the year under review, an internal audit had been carried out only for the period from January to June of the year under review.

5. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time and special attention is needed in the following areas of controls.

System	Deficiency
(a) Revenue Administration	(i) Failure in taking action to recover arrears of revenue (ii) A long delay in handing over the revenue collected at the field, to the officer.
(b) Debtors	Failure in taking action to recover old debtors balances
(c) Creditors	Failure in taking action to settle old creditors balances
(d) Staff Management	Failure in taking action to fill vacancies