

Karuwelagaswewa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 08 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 May 2019 and 26 July 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Karuwelagaswewa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) A sum of Rs.120,000 receivable for the activities of development activities of the Nursery Schools from the Early Child Education Development Authority of North- west and a sum of Rs.120,000 payable to the contractual institutions for the development activities had not been brought to account.	Should be identify the transactions relating to the accounting years and brought to account.	Action will be taken to rectify.
(ii) A sum of Rs.370,000 payable to the beneficiaries of the Egodapititya Lavatory Project and a sum of Rs.120,000 payable for the purchasing of	Should be identify the expenditure relating to the accounting year in correctly and brought to account.	Action will be taken to brought to account in correctly.

boulders and a sum of Rs.33,800 payable on the purchasing of street light instruments had not been brought to account.

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| (iii) | When the capitalization of the expenditure incurred for the construction of a store for the garbage centre the retention money amounting to Rs.79,912 had not been capitalized. | Should be identify the capital expenditure in correctly and brought to account. | Action will be taken to brought to account in correctly. |
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(b) Receivable and Payable Accounts

 (i) Receivable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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Balances of the 5 accounts of receivable accounts as at 31 December 2018 totalling was Rs.3,002,574 and out of that totalling balances of Rs.676,178 was elapsed 3 years period.	Action should be taken to collect the receivable balances in quickly.	From the outstanding balances a part had been collected in connection with outstanding rates, rent, water tax and Sundry debtors and action will be taken to collect balance outstanding amounts and industrial debtors in quickly.

(ii) Payable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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Balances of the 04 payable accounts as at 31 December 2018 totalling was Rs.3,669,595 and out of that creditors amounting to Rs.1,213,317 had elapsed 3 years period.	Action should be taken to settle the payable balances in quickly.	A part had been paid from the sundry creditors, industrial creditors, deposits in connection with revenue and sundry deposit and action will be taken to settle the balance.

(c) **Lack of Necessary Documentary Evidence for Audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
Two items of accounts aggregating to Rs.5,036,950 relevant evidence had not presented to audit.	Evidence to confirm balances of accounts shown in the financial statements should be furnished.	Action will be taken to rectify in future.

1.4 Non compliance

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(a) Section 571	Action had not been taken in respect of 19 deposits which were elapse 2 years period.	Action should be taken as per the financial regulations.	Action will be taken to release the security deposits which were elapse 2 year period as per the financial regulations.

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 2018 amounted to Rs.2,024,927 as contrary to excess of recurrent expenditure over revenue of the preceding year amounting to Rs.2,366,445.

2.2 Revenue Administration

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

Source of Revenue	2018				2017			
	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000
Rates and Taxes	5,715	4,400	4,895	1,461	5,347	3,866	4,393	1,490
Rent	2,601	2,346	6,914	573	1,807	1,483	1,571	213
Licence Fees	242	-	84	-	468	149	149	-
Other Revenue	36,238	-	27,424	-	35,804	-	22,052	421
Total	44,796	6,746	39,317	2,034	43,426	5,498	28,165	2,124

- Collections made from the revenue billed for the year under review and collections made from the revenue billed from the arrears revenue of the previous years are included within the collected income.

2.2.2 Performance in collection of Revenue

Audit Observation

Total revenue billed of the year under review amounted to Rs.6,746,372 and the arrears at the commencement of the year under review amounting to Rs.2,124,027 and out of the revenue billed amount of Rs.5,801,994 and the outstanding amount of Rs.1,536,018 had been collected. Therefore progress of total collection of revenue was about 83 per cent.

Recommendation

Action should be take in quickly to collect the annual billing within the year.

Comments of the Accounting Officer

Not comment.

2.2.3 Rates and Taxes

Audit Observation

Out of the arrears of rates at the commencement of the year under review was Rs.362,902 and out of that amount, a sum of Rs.106,100 had been collected during the year. The arrears amounting to Rs.97,035 of water bills of 35 water consumers where the water supply had disconnected at the Karuwelagaswewa water project and arrears membership fees amounting to Rs.346,300 of the 71 water consumers of the Ipaloegama water project had not been collected.

Recommendation

Arrears revenue should be collected in quickly.

Comments of the Accounting Officer

Out of the total existing arrears of rates at the date of 31 December 2018, a sum of Rs.23,839 and arrears water bill of Rs.200,711 and arrears water member fees of Rs.203,150 had been collected. Action will be taken to collect the balances.

2.2.4 Lease Rent

Audit Observation

Out of the Lease rental billed in respect of the year under review amounting to Rs.1,752,255, out of that a sum of Rs.1,287,477 had been collected during the year and that was 73 per cent of the billed amount.

Recommendation

Action should be taken to collect the arrears billed Lease rental in quickly.

Comments of the Accounting Officer

Out of the balance of lease rental remained as at 31 December 2018, out of that a sum of Rs.127,215 had been collected. Action will be taken to recover the balance.

2.2.5 Court Fines

Audit Observation

Court fines of Rs.675,996 was due from the Chief Secretary of the Provincial Council and other authorities as at the date of 31 December 2018.

Recommendation

Action should be taken to collect the receivable court fines in quickly.

Comments of the Accounting Officer

Out of the receivable court fines amounting Rs.675,996 at the date of 31 December 2018, out of that a sum of Rs.376,998 had been received at the date of 03 May 2019.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of section 3 of the Pradeshiya Sabha Act such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the Public facilities and welfare etc.,

(a) Bye- Laws

Audit Observation

Although bye-laws had been enacted to for fulfill of 30 major matters under the section 126 of the Pradeshiya Sabha Act but in

Recommendation

Action should be taken to impose bye-laws in respect of all major matters in quickly.

Comments of the Accounting Officer

Action will be taken to impose bye-laws for necessary all activities in future.

respect of only 3 bye-laws had been enacted even as at 31 December 2018.

(b) Provisions not Allocated

Audit Observation

According to the prepared annual action plan for the estimated value of Rs.110,000 in respect of 3 tasks which are to be fulfilled by the Sabha but provisions had not been allocated by the annual budget, that tasks had could not be fulfilled.

Recommendation

Make the provisions from the annual budget for the tasks which should be fulfilled and action should be taken to fulfill the relevant tasks.

Comments of the Accounting Officer

In respect of supply of protected instruments for health labourers who were employed but allocated provision had shown in the action plan of the year 2018 and spent and provisions for the playground and provisions for common sports activities were not essential.

(c) Non – functioned Activities

Audit Observation

Provisions amounting to Rs.42,780,000 had been allocated for 16 tasks by the Annual estimate during the year under review had not functioned during the year.

Recommendation

In the preparing of annual budget the budget should be prepared in identifying the actual expenses to be incurred and necessities.

Comments of the Accounting Officer

There are not sufficient revenue to the Sabha to complete the projects through the budget proposals and grants of the provincial council and Ministry of Local Government and provincial precise grants not received as expected and provisions had been made from the budget all activities could not be functioned.

(d) Relinquished Tasks

Audit Observation

Although a sum of Rs.1,149,000 had been spent in the years 2016 and 2017 in respect of extension of the Rabaawewa water project, but expected results had not been obtained even as at 29 April 2018 and it had been relinquished.

Recommendation

Action should be taken to complete the project.

Comments of the Accounting Officer

Distribution of water could not be done at now because of the any provision had not been allocated from the Ministry of Local Government or from the Provincial Council to complete the balance stage of the project.

(e) Solid Waste Material Management

Audit Observation

Although a project on solid waste material management had been initiated by spending a sum of Rs.1,338,227 in the year 2014 and a sum of Rs.719,200 in the year 2018 but collecting the garbage in the town and remove it done and had not initiated the process of recycling.

Recommendation

Action should be taken to initiate the regular process for recycling the garbage and to remove it.

Comments of the Accounting Officer

For the manufacturing organic, necessary decay garbage could not be collected and there are no necessary equipments in the reason of that manufacture of organic fertilizer had not been done.

(f) Sustainable Development Targets

Audit Observation

The Sabha had been identified 12 targets and goals as per the United Nations Sustainable Development Agenda for the year 2030 for need to regulate the activities in reaching sustainable development goals so many activities had been planned to implement in the year 2018, It had

Recommendation

Action should be taken to reach the sustainable development objectives and targets.

Comments of the Accounting Officer

Situation of the place of week fair not situated with in congested environment including the road net work and other infrastructure facilities are existing in poor condition in the reason of that consumers coming had

been planned to implement under the targets had not been initiated during the year such as to obtain occasion to sale the production of the domain through the conducting of week fairs during the year under review and regularized the solid waste material management and providing relief for material disaster.

not happened. Therefore that week fair is existing in idling. For the regularization of the management on garbage, awareness programs for school children, fix the awareness Board for minimize the disposal waste done by irregularly and a store in the garbage centre at Saliyawewa had been constructed by spending Rs.799,122, under the supply of relief for the natural disaster a well had been constructed to provide for the use of the general public spending Rs.918,966 for faced to severe drought.

3.2 Management Inefficiencies

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken in respect of deficit of 282 library books valued at Rs.50,264 in carried out function of the library survey in public library at Karuwelagaswewa relating to the year.	Action should be taken in respect of deficit of the library books.	Out of this quantity of books, 100 books valued at Rs.24,024 had been find again. Therefore 182 books valued at Rs.26,240 had been actually misplaced.
(b) Eventhough for the construction of 2 stage of the Neelamma rest house a sum of Rs.400,000 incurred in the years 2015 and 2017 as consultancy engineering fees on the preparation of architectural plans, structural plans and esimates on the	Action should be taken to create the project implementing condition and refer for a activity which could be able earn income to the Sabha.	Works has being arrange to get the cooperation of the private sector by constructed the Neelamma rest house and carry on the maintenance activities and intention has been made to get the relevant place by tender and selecting a

reason of that expenditure became a fruitless expense in the reason of relevant project had not implemented.

purchaser on the annual lease basis in future.

(c) Constructed Ollukuliya well and wire around the well and for the preparation of access road a sum of Rs.1,089,055 had been spent under the Backward and Isolated village project but construction had fulfilled at a private land however this construction with land had not been entrusted to the Sabha.

Action should be taken to entrusted the relevant land to the Sabha.

Requesting survey orders had been made to entrust the constructed well with land under Backward and Isolated village project had been handed over to the Divisional Secretary of Karuwelagaswewa.

3.3 Human Resources Management

Audit Observation

There are existing vacancies in 2 posts of librarian belong to Secondary Level, 01 post of Developing Officer, 01 post in Technical Officer, 01 post in pre school teacher, 01 post in work supervisor, 01 post in revenue examiner and belong to primary level, 01 post in Driver, 03 posts in peon and 3 posts in Librarian Assistant.

Recommendation

Action should be taken to complete the vacancies in the cadre.

Comments of the Accounting Officer

Out of the vacancies existing in secondary level the post of Secretary and Revenue Examiner, has being completed at present. Recruitments on remaining posts has been fulfil by the Public Services Commission of the North West.

3.4 Assets Management

3.4.1 Idle and Under Utilized Assets

Audit Observation

Neelabamma rest house constructed in the year 2014 by spending Rs.18,000,000 and 02 number of week fairs had been existing in idle.

Recommendation

Action should be taken to planned the methodology to obtain maximum benefits from the resources.

Comments of the Accounting Officer

Works had been arranged for constructed the Neelabamma rest house and carry on the maintenance to get the cooperation of the private sector and to get the relevant place by tender and selecting a purchaser on the annual lease basis in future, The situation place of the week fair not situated within conested environment including the road net work and other infrasture facilities are existing in poor condition in the reason of that consumers' arrival had not happened. There fore that week fair is existing in idling.

3.4.2 Assets not Acquired

Audit Observation

Action had not been taken to acquire ownership of 10 lands owned by the Sabha where the buildings are situated and play

Recommendation

Action should be taken to Acquire the land and buildings which were not

Comments of the Accounting Officer

Through the lands belongs to the Sabha Survey of 3 lands had been completed as at now and action will be taken to do the

grounds and week fairs' acquired. administration and maintenance done by the Sabha.

survey and to acquire in connection with remaining lands.

3.5 Procurement

Audit Observation

procurement Plan had not been prepared for the year under review also as previous years.

Recommendation

Action should be taken to prepare a Procurement Plan in terms of the circular.

Comments of the Accounting Officer

Action will be taken to prepare a procurement plan in future.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Although internal audit plan had been prepared for the year under review but audit inspection had not been carried out in connection with contracts, Bank Reconciliations, Staff Loans, Fixed Assets, Stocks in hand and vehicle Administration.

Recommendation

Steps should be taken to carry out the internal audit as per the audit plan.

Comments of the Accounting Officer

It is inform in kindly action will be taken to conduct the audit refer a attention for the subject areas pointed out by the audit for the year 2019.