

Polpithigama Pradeshiya Sabha

Kurunegala District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial statements of the year 2017 had been presented to the Audit on 28 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, the financial statements give a true and fair view of the financial position of the Polpithigama 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) A specific asset had not been identified with respect to the journal entry relating to the sum of Rs. 569,473 for the rectification of lands and buildings schedule.
- b) The value of 07 lands and buildings belonging to the Sabha had not been assessed and brought to the accounts.
- c) Reimbursement of salaries in arrears had been overstated by a sum of Rs. 266,515 in the financial statements as at the end of the year under review.

1.3.2 Unreconciled Accounts

The balance in the accumulated fund account amounted to Rs. 27,843,229 as at 31 December of the year under review, but the same amounted to Rs. 30,937,065 as per the trial balance whereas the said amount was Rs. 31,203,580 in the balance sheet.

### 1.3.3 Accounts Receivable and Payable

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#### a) Accounts Receivable

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According to the financial statements as at 31 December 2017, the value of the receivable balances totaled Rs. 51,235,535, and action had not been taken for over one year to recover a sum of Rs. 2,334,843 therefrom. Of that, a sum of Rs. 2,303,360 could not be recovered due to deficiencies in the files relating to the industrial debtors. An advance of Rs. 30,000 obtained by the retired Secretary in the year 2012 also remained unsettled.

#### b) Accounts Payable

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According to the financial statements as at 31 December 2017, the value of the payable balances totaled Rs. 49,878,927, and a sum of Rs. 10,458,780 remained unsettled over a period of one year.

### 1.3.4 Lack of Documentary Evidence for Audit

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Three items of account valued at Rs. 601,864 could not be satisfactorily vouched in audit due to non-presentation of required information.

### 1.3.5 Non-compliances with Laws, Rules, Regulations, and Management Decisions

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Instances of non-compliances with Laws, Rules, Regulations, and Management Decisions, are as follows.

Reference to Laws, Rules, Regulations, and Management Decisions	Value	Non-compliance
	Rs.	
a) Section 134 (1) of the Pradeshiya Sabhas Act, No. 15 of 1987.	-	Action had not been taken to identify the properties located in the newly developed areas within the division of the Sabha.
b) Gazette, No. 1996, dated 02 December 2016.	103,200	Fees had not been charged on hoardings displayed in the division of the Sabha.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 12,636,803 for the year ended 31 December 2017 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 8,126,043 for the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Source of Revenue	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs. .000	Rs. .000	Rs. .000	Rs. .000	Rs. .000	Rs. .000	Rs. .000	Rs. .000
I. Rates and Taxes	316	438	424	-	2,336	2,257	2,257	-
II. Lease Rents	6,998	6,696	6,635	11	6,180	6,264	6,269	19
III. License Fees	2,180	2,737	2,726	-	1,650	2,477	2,477	-
IV. Other Revenue	59,919	50,813	57,141	26,478	47,345	48,863	43,367	22,140
<b>Total</b>	<b>69,413</b>	<b>60,684</b>	<b>66,926</b>	<b>26,489</b>	<b>57,511</b>	<b>59,861</b>	<b>54,370</b>	<b>22,159</b>

Note : The revenue collected in the year 2017 included a sum of Rs. 6,637,908 collected with respect to the preceding years.

## 2.2.2 Performance in Collecting Revenue

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Despite the revenue of Rs. 60 million billed for the year under review, only a sum of Rs. 67 million had been collected in the year under review including the receipts of revenue in arrears. The outstanding revenue of Rs. 22 million as at 31 December of the preceding year had increased to Rs. 26 million by the year under review.

## 2.2.3 Rates and Taxes

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A number of 404 business premises with all the basic amenities had remained functional over several years within the division of the Sabha. It was observed in the filed inspection carried out on 12 January 2018 that the Sabha had not taken action to collect rates thereon.

## 2.2.4 Court Fines and Stamp Fees

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The court fines and stamp fees receivable from the Chief Secretary and other officials of the Provincial Council as at 31 December 2017 amounted to Rs. 9,829,875 and Rs. 6,094,287 respectively.

## 3. Operating Review

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### 3.1 Performance

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Matters revealed in the 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 in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

#### a) Bylaws

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Bylaws should have been made under Section 126 of the Pradeshiya Sabhas Act to carry out 30 main activities. Nevertheless bylaws had been made only for 06 activities even up to 31 December 2017.

#### b) Action Plan

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An annual Action Plan had not been prepared covering the bylaws made and the 06 activities to be carried out by the Sabha.

c) Solid waste Management

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The non-degradable waste collected by the Sabha had been buried at the back of the land on which the solid waste management center had been established. As such, it was observed that this act would give rise to environmental issues in the future.

d) Sustainable Development Targets

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Having been aware of the "2030 Agenda" on Sustainable Development, the Sabha had implemented 08 programmes in respect of miscellaneous requirements of the people in the division of the Sabha.

3.2 Management Inefficiencies

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The following matters were observed.

- (a) According to the accounting policy of the Sabha, all of the revenue had been brought to accounts under accrual basis. However, revenue from stamp fees had been brought to accounts without being identified under a specific basis.
- (b) Action had not been taken to recover a sum of Rs. 50,000 deposited in the employees association of Sri Lanka local authorities at the annual interest rate of 2.5 per cent on 13 July 1999 under the approval of Commissioner of Local Authorities.

3.3 Human Resource Management

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The following matters were observed.

- (a) One, 08 and 02 vacancies existed in the posts of tertiary level, secondary level, and primary level respectively as at 31 December of the year under review. Nine employees had been recruited on casual / contract basis in excess of the approved cadre.
- (b) A Foreman of the Sabha had recorded his arrival in the office only on Mondays and Wednesdays in the year 2017. As for the rest of the working days in the year 2017, signature had not been placed on the register for arrival and exit, fingerprint had not been recorded on the finger scanner, no leave had been obtained, nor had been recorded in the register of movements

### 3.4 Operating Inefficiencies

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A survey had not been conducted on the transmission towers located in the division of the Sabha thus failing to recover annual trade license fees. The Sabha had not drawn their attention on issuing development licenses and certificates of conformity with respect to construction of communication towers. As such, the Sabha had been deprived of possible revenue that could have been earned therefrom.

### 3.5 Irregular Transactions

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The following matters were observed.

- (a) Interlock paving stones had been laid by spending a sum of Rs. 491,020 from the Sabha Fund in the year 2016 to a stretch of Bawlawatta road, Deegama that had already been paved with interlock stones under a Maga Neguma project. The stretches of the said road that had been developed under the Sabha Fund and the Gama Neguma project, could not be identified separately. The BOQs had not been marked as well enabling the identification of such stretches. Furthermore, information such as, the period in which the said project had been implemented, the amount incurred thereon, and reasons contributed to the inefficiency of the project, was not made available to the Audit.
  
- (b) A sum of Rs. 424,819 had been paid for repairing the damages on interlocking stones on the Galketiyyagama road constructed by utilizing the provision made in a preceding year. A file had not been prepared by including information relating to the development of such roads.

### 3.6 Assets Management

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#### 3.6.1 Failure to Ensure the Safety of Assets

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Cemeteries had not been secured by erecting fences since the inception of the Sabha up to 12 January 2018. As such, it was observed that the cemeteries could be encroached and the acreage of the cemeteries could decrease gradually.

#### 3.6.2 Assets not Acquired

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A number of 129 cemeteries in the division of the Sabha belonged to the Divisional Secretariat but action had not been taken for those cemeteries to be taken over by the Sabha.

### 3.6.3 Idle / Under Utilized Assets

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Due to failure of the Sabha in taking over, and delay in obtaining the valuation reports for disposal, 09 vehicles remained idle.

### 3.6.4 Utilization of Vehicles

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The following matters were observed.

- (a) The Sabha owned the Dump Truck, Motor Grader, Backhoe Loader, and a compactor to be used in constructing and maintaining roads in the division of the Sabha. However, vehicles had been obtained on rent from external institutions such as, Authority of Machinery, thereby making payments totaling Rs. 610,606 in 05 instances.
  
- (b) New books had been issued without the second copy of the running charts used by the drivers being collected by the subject clerk or the relevant divisions. Furthermore, fuel had been issued without examining the running charts relating to 04 vehicles.

## 3.7 Procurements

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### 3.7.1 Procurement Plan

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The Sabha had not prepared a main Procurement Plan in terms of Section 4.2 of the Government Procurement Guidelines.

### 3.7.2 Supplies and Services

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The following matters were observed.

- a) Contrary to provisions of the Procurement Guidelines and Rules of Pradeshiya Sabha 1988 (Finance and Administration), 08 purchases valued at Rs. 484,667 had been made through the same institution. In 12 other instances, purchases worth Rs. 388,949 had been made from 02 institutions.
  
- b) When purchases are made under the shopping method, at least 03 quotations should be obtained. However, purchases valued at Rs. 3,189,554 had been made in 04 instances based on quotations of only one supplier.

- c) Repurchases could be made within a period of 06 months only based on prices of a contract supplier. Nevertheless, once quotations had been called by the Sabha at the beginning of the year, purchases valued at Rs. 8,162,557 had been made in 14 instances throughout the year based on the decision of Procurement Committee.
- d) Although the Sabha had a Procurement Committee, decisions of the Procurement Committee had been implemented with respect to construction works only. When purchasing other goods and services, purchases valued at Rs. 12,886,984 had been made in 60 instances in the year under review following decisions taken by the Management Committee without recommendations of the Procurement Committee and the Technical Evaluation Committee.

### 3.7.3 Contract Administration

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The following matters were observed.

- a) As for the work of paving the Track 07 road, Ashokaramaya, Doraweruwa Watta, with interlock stones, construction of formworks under Work Item , 05 and laying concrete on the curbs of the sides of the road under Work Item 06 had not complied with the specifications. As such, overpayments amounting to Rs. 20,850 and Rs. 19,760 had been made respectively.
- b) A sum of Rs. 199,342 had been paid for laying gravel and renovating the road leading through the paddy field from Dambagahamula junction to the Agara Bund. However, the road had eroded from the Dambagahamula end, and holes of varying sizes were seen along the road.
- c) As for the work of renovating the road in Pothuwepitiya by laying interlock stones, the curb formworks thereof had not complied with the specifications. As such, an overpayment of Rs. 18,324 had been made.
- d) A sum of Rs. 197,552 had been paid for renovating the Rambe Meda Kolaniya road up to Thambuwa Henawa road by laying gravel. However, the gravel had been washed away due to water flowing across the road and holes of varying sizes were seen on along the road.
- e) An overpayment totalling Rs. 52,950 had been made under Work Item, 02 for renovating the road by laying interlock stones, from the community hall of Pothanagama, Kumbukkadawala up to Nipunagama road.

#### 4. Accountability and Good Governance

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##### 4.1 Internal Audit

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The Sabha had appointed an officer for internal audits, but that officer had been entrusted with other duties as well. An adequate audit had not been conducted for the year under review and only 04 internal audit reports had been issued.

#### 5. Systems and Controls

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Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of Systems and Controls.

System	Deficiency
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(a) Assets / Properties	(i) Failure to ensure security.
	(ii) Failure to utilize assets in a productive manner.
(b) Purchases	Failure to follow the Procurement Guidelines
(c) Projects / Contracts	(i) Lack of proper supervision.
	(ii) Failure to comply with the standard.