

**Polpithigama Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 10 April 2019 and the Summary Report of the Auditor General on the financial statements on 31 May 2019 and the Detailed Management Audit Report on 29 May 2019 had been furnished to the Chairman.

1.2 Qualified Opinion

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The loss of Rs. 283,270 remained from the concrete project had not been taken into income and expense account.	Actions should be taken to adjust in the income and expenditure account.	Arrangements will be made to adjust to the cumulative fund in the next year.
(b) The street lamps amounted to Rs. 476,000 had not been taken in to equipment account during the year under review.	Purchases of the year should be accurately accounted for.	It will be corrected in the next year.
(c) as a result of the assets were not being identified and accounted for by a journal entry valued at Rs. 569,473 to correct land and building schedules, lands and buildings had been overestimated by that amount..	Actions should be taken to correct with a specifically identified assets schedule.	Since the balances are in being forward since 2008, actions will be taken to look up and correct them.

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| (d) | The retention amounted to Rs. 422,270 relating to 03 constructions in the year under review had been credited to the cumulative fund by the journal entry 42 without stating as a payable balance. | The retentions should be taken in to accounts as a payable balance. | This will be corrected in the next year . |
| (e) | There was a difference of Rs. 8,286,719 in between the balances in the statement of financial positions and the schedules with regard to 03 account balances payable in the year under review. | It is necessary to reconcile the changes in the relevant balances and take actions to correct the accounts. | Arrangements will be made to reconcile and to correct the balances in between the schedules and the accounts in the next year. |
| (f) | Due to lack of evidence in respect of 08 account balances amounting to Rs.121,194,369 , those could not be satisfactorily vouched in audit. | The evidences of ascertaining of account balances in the financial statements should be furnished. | The relevant evidences will be obtained and submitted in the next year after making inquiries from relevant officials. |

1.4 Non- compliance

----- Non - compliance with Laws, Rules and Regulations -----

Reference to Laws, Rules and Regulations	Non – compliance	Recommendation	Comments of the Accounting Officer
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(a) Section 134(i) of the Prsdeshiya Sabha Act No. 15 of 1987	Actions had not been taken to identify the properties in the newly developed areas within the Pradeshiya Sabha area.	Arrangements should be made in accordance with the Act.	Although the developed areas were identified by now , the developed areas further be identified in the next year.
(b) Financial Regulation 571(2) of	Actions had not been taken to get the general	Actions should be taken in accordance	Arrangements will be made to

Democratic Socialist Republic of Sri Lanka deposits for more than two years to the revenue. with the Financial Regulations. take to accounts in future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 was Rs. 10,243,418 as compared to the corresponding revenue over recurrent expenditure for the preceding year was Rs. 12,636,803 .

2.2 Revenue Administration

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

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	2018				2017			
	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
Rates and Taxes	1,975	11	2,357	-	316	438	424	-
Rent	7,585	6,780	7,775	11	6,998	6,696	6,635	11
License Fees	850	2,275	1,066	-	2,180	2,737	2,726	-
Other Revenue	76,381	-	56,318	19,651	59,919	50,813	57,141	26,478
Total	86,791	9,066	67,516	19,662	69,413	60,684	66,926	26,489

2.2.2 License Fees

Audit Observation

Although the last year license fee was Rs. 2.7 million due to delays of charging license fees

Recommendation

License fee should be charged.

Comments of the Accounting Officer

Due to the removal of an experienced officer and the replacement of a new

and charging for health care license fees in less, license fee collected for the year under review had decreased to Rs. 1 million .

officer, it was very late to identify and recover.

2.2.3 Court Fines and Stamp Fees

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>(a) Even though it had revealed as the Court fines receivable as at 31 December 2018 was Rs. 5,160,000 by accounts, a sum of Rs. 590,500 relating to the November 2018 and the court fines relevant to the month of December had not been included in the balance receivable.</p>	<p>The court fines should be properly identified and accounted for.</p>	<p>The provincial council had not identified the correct revenue for the year and delayed to collect it.</p>
<p>(b) Even though the Stamp Duty Receivable as at 31 December 2018 had been disclosed as Rs. 9,156,000 by accounts, the stamp duty receivables from 01 July 2018 to 31 December 2018 had not been taken into accounts.</p>	<p>The stamp fees should be properly taken in to accounts.</p>	<p>The provincial council had not identified the correct revenue for the year and delayed to collect it.</p>

03. Operating Review

3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect 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 are as follows.

(a)	By-laws	Recommendation	Comments of the Accounting Officer
	Audit Observation		
	<p>Although the By-laws should be enacted to fulfill 30 main matters under Section 126 of the Pradeshiya Sabha Act, the By-laws had been enacted in respect of only 12 matters even by 31 December 2018 .</p>	<p>By-laws should be enacted as per the requirement and it should act in accordance with the by-laws</p>	<p>Actions will be taken referring the work of drafting by-laws to the Sabha.</p>
(b)	Action Plan	Recommendation	Comments of the Accounting Officer
	Audit Observation		
	<p>An Annual Action Plan had not been prepared covering the By-laws enacted and the 12 functions to be carried out by the Sabha.</p>	<p>The Action Plan should be prepared.</p>	<p>An Action Plan had not been prepared.</p>
(c)	Solid waste Management	Recommendation	Comments of the Accounting Officer
	Audit Observation		
	<p>Recycling of non-decaying garbage or without making a sale and obtaining income they were being buried in the back of the land where the Solid Waste Management Center was located.</p>	<p>The solid waste should be properly manage.</p>	<p>It is informed that although the burying of solid waste has been done in this land, it is not harmful.</p>
(d) Sustainable Development Goals	Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>Fifteen programmes had been implemented for the various needs of the people of the area with the awareness by the</p>	<p>Programmes should be implemented to achieve the Sustainable</p>	<p>Fifteen programmes were implemented.</p>

Sabha about the 2030 Agenda for Sustainable Development Goals.

Development Goals.

3.2 Management Inefficiencies

Audit Observation

Actions had not been taken to recover a sum of Rs. 50,000 which was deposited in the Sri Lanka Local Government Employees Union on 13 July 1999 with an interest of 2.5 per cent annually on the approval of the Commissioner of Local Government.

Recommendation

Actions should be taken to collect the relevant interest annually or to recover the investment amount.

Comments of the Accounting Officer

It is mentioned that it will be corrected in next year.

3.3 Human Resources Management

Audit Observation

There were 01 vacancy in a tertiary post, 08 vacancies in a secondary post and 07 vacancies in a primary post had remained as at 31 December and 08 employees had been recruited on casual / contract basis beyond the approved number of staff .

Recommendation

Actions should be taken to fill the vacancies.

Comments of the Accounting Officer

Arrangements will be made to get the excess staff approved in future.

3.4 Assets Management

3.4.1 Assets not Taken Over

Audit Observation

Actions had not been taken to take over the mini Kubota tractor which is being used since 2003, motorcycle, the land where

Recommendation

Arrangements should be made to take over the assets.

Comments of the Accounting Officer

Because of there are no legal documents, failure to take over to the Sabha, actions to take over the land of Puranaguma and

the puranaguma building exists owned by the Divisional Secretary and the 128 cemeteries in the Sabha area.

one of the 129 cemeteries have been taken over. A number of 128 has to be taken over and it had caused the cost of surveying is very high.

3.4.2 Idle/ Underutilized Assets

Audit Observation

Even though a Kubota land master and a motorcycle had remained in idle for many years, no action had been taken to dispose on the recommendations of the Annual Board of Survey.

Recommendation

Action should be taken to implement the recommendations of the Board of Survey .

Comments of the Accounting Officer

It is not being used.

3.4.3 Non-moving Employee Loans

Audit Observation

A total of non-moving employee loans amounted to Rs. 239,159 had remained as a sum Rs. 232,406 from a transferred employee, a sum of Rs. 3,541 from a retired officer, a sum of Rs. 3,212 from 03 deceased substitute workers. .

Recommendation

Actions should be taken to recover non-moving loans.

Comments of the Accounting Officer

Although it was informed as it would be deducted from the salary of the transferred officer, the Sabha was not paid.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation

A Master Procurement Plan had not been prepared in terms of section 4.2 of the Government Procurement Guidelines.

Recommendation

A Procurement Plan should be prepared.

Comments of the Accounting Officer

It is informed that it will be submitted in the next year.

3.5.2 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Although a sum of Rs. 733,687 for the construction of a new building (Phase II) to store non-decaying garbage in Solid Waste Management Center and a sum of Rs. 104,796 for 6.39 square meters to install and install doors using 28mm thick planks under work item No. 01 of the industry had been paid the thickness of the door and door panels was about 23 mm. Although door panels and the wood in grills should be used for brass hinges as instructed , the hinges of the brass color painted had been mounted. Four door panels were supplied and installed and all the planks of the door panels were away with about 10mm gaps.</p>	<p>The shortcomings of the construction works should be rectified.</p>	<p>Arrangements will be made to rectify.</p>
<p>(b) Although it had been mentioned that the temporary work, such as laying gravel on road</p>	<p>Actions should be taken as per the circulars.</p>	<p>Roads have been washed away.</p>

construction and upgrading as well should not be done In terms of Paragraph 1.2 of the Finance Commission Circular No. 2016/01 dated December 2015 a sum of Rs. 422,278 for applying gravel on 3 roads in the year 2016 and a sum of Rs. 1,367,391 for applying gravel on 11 roads in the year 2018 had been paid and at the time of the examination, the roads had been washed away with gravel.

- (c) Although a sum of Rs. 379,355 had been paid for the 16.99 cubic meters to concrete 1:1 ½: 3 (20 m) construction of Water Tank Construction Industry No. 4 to 15 of the Uthuruwella Water Project, 08 places that look like 3x 1 foot beehives in concrete towers and scales and there were concrete floor on which the water tank was built had 5 places where it looked like a 2 x 1 foot beehive. Even though a sum of
- The construction works should be done properly under proper supervision.
- Accepted.

Rs. 352,995 had been paid for the construction of the Pero Cement Tank, which collects water from work item 47 to 56, there were 04 places of cracked and breakage in the tank.

3.5.3 Surcharges

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>The activities had not been completed even by 31 August 2019 in respect of 04 surcharges valued at Rs. 1,283,910 issued on 20 May 2014.</p>	<p>Arrangements should be made to pay surcharges.</p>	<p>It is not possible to make arrangements until the inspection of the Chief Ministry is completed.</p>

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although the Sabha had appointed officials for internal audit as the officer had been assigned for other duties as well adequate internal audit had not been carried out for the year under review.</p>	<p>Actions should be taken to prepare Internal audit plans and carrying out the audit accordingly and submit the reports to the Auditor General.</p>	<p>Three queries for the year 2018 and two queries for the year 2019 have been submitted.</p>