

## **Polpithigama Pradeshiya Sabha**

### **Kurunegala District**

#### **01. Financial Statements**

##### **1:1 Presentation of Financial Statements**

The financial statements of the year under review had been presented to audit on 28 March 2012 and the financial statements for the preceding year had been presented on 30 March 2011. The report of the Auditor general for the year was issued to the Chairman of the Sabha on 12 September 2012.

##### **1:2 Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Polpithigama Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Polpithigama Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year than ended.

##### **1:3 Comments on Financial Statements**

###### **1:3:1 Accounting Deficiencies**

According to the information received from the Chief Secretary's Office, the revenue from court fines for the year under review amounted to Rs. 4,366,175. But, the court fines for the year under review had been shown in the income and expenditure account as Rs. 3,299,688 resulting in an understatement of court fines

for the year under review in the accounts by Rs. 1,066,487 similarly, the revenue from court fines receivable as at end of the year under review amounted to Rs.1,626,520. Nevertheless it had been shown under revenue debtors as Rs. 908,095 in the accounts as at end of the year under review.

### **1.3.2 Lack of Evidence for Audit**

#### **----- Non – submission of Information for Audit -----**

Transactions totaling Rs. 30,401,486 could not be satisfactorily vouched in audit due to the non - submission of required information to audit.

## **2. Financial and Operating Review**

### **2:1 Financial Result**

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According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.598,587 as compared with the excess of revenue over recurrent expenditure amounting to Rs.5,303,185 for the preceding year.

### **2:2 Financial Control**

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The following deficiencies in financial control were observed.

- (a) There were debit balances amounting to Rs. 1,264,738 of suspense nature accounts as at 31 December 2011. Similarly a sum of Rs. 814,622 received for various matters at 07 instances had been kept under deposits without being settled even up to the end of the year under review.
- (b) The balance of Rs. 333,115 brought forward for over several years in the Concrete Project Equipment Account and the actual value had not been identified and brought to account. Similarly, a balance of account amounting to Rs. 345,497 relating to 08 items of accounts brought forward

for over several years had not been settled even as at end of the year under review.

## 2:3 Revenue Administration

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### 2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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Information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	11	15	-
(ii) Lease Rents	2,867	2,832	35
(iii) Licence Fees	850	934	-
(iv) Other Revenue	29,423	21,692	7,731

### 2.3.2 Court Fines and Stamp Fees

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The Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and the other authorities amounted to Rs. 4,366,175

## 2:4 Human Resources Management

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The following observations are made.

- (a) Although the post of Secretary of the Pradeshiya Sabha is a Supra Grade post of the Management Service, a Class 1 officer of the management Service is being covered the duties of that post. A post of Pre-school manager, Technical Officer, Works Supervisor and two post of Librarian had been vacant for over a long period.

- (b) Although the number of posts approved under the posts of minor Employees, watchers and Labourers was 35, only 32 had been employed under those categories as at end of the year under review. Nevertheless, 08 employees for whom salaries are paid from the Sabha had attached on the casual and substitute basis under the above posts as at end of the year under review.

## **2.5 Operating Inefficiencies**

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The contributions payable to the Local Government Pensions Fund by the Sabha in respect of the employees whom the Sabha is liable to pay contributions had not been properly paid in respect of the employees retired from the Pradeshiya Sabha service. Therefore the balance payable to the said fund as at end of the year under review amounted to Rs. 1,763,992.

## **2.6 Internal Audit**

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An Audit and Management Committee had not been appointed for the year under review and an adequate internal audit of the institution had not been carried out under an Internal Audit programme.

## **3 Systems and Controls**

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Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Financial Control
- (c) Revenue Control
- (d) Assets Management
- (e) Contract Administration.