

Polpithigama Pradeshiya Sabha
Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 07 April 2015 while Financial Statements relating to the preceding year had been submitted on 20 June 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 13 August 2015.

1.2 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 Polpithigama Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) Non-current assets amounting to Rs. 81,408, Current Assets amounting to Rs. 16,976,796 and Current Liabilities amounting to Rs. 12,218,828 had been overstated in the financial statement due to calculation errors in the Accounts Schedules.

- (b) Arrears of Court Fines amounting to Rs. 384,250 relevant December 2014 had not been accounted as Revenue Receivable.

1.3.2 Contingent Liabilities

The Contributions Payable to the Pension Fund on behalf of the employees retired after serving the Sabha had not been made properly. Due to that, the balance payable to that Fund as at the end of the year under review had been Rs. 1,747,483. Although a sum at the rate of Rs. 15,474 as monthly rate applicable to the Sabha was being recovered, Sabha was not aware of the particulars of the employees concerned with regard to such recovery.

1.3.2 Accounts Receivable and Payable

- (a) Project Debtors balance of Rs. 585,824 under Current Assets had existed since the beginning of the year.
- (b) Value of Accounts Payable as at 31 December 2014 was Rs.73,549,436. While a sum of Rs.174,716 as 0.24% approximately out of this had been balances outstanding for more than 03 years and in that 09 Miscellaneous balances of Rs.54,519 outstanding between 3 to 7 years and 02 Sundry Deposits balances of Rs.95,197 outstanding between 4 to 5 years were included.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.387,498 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,339,107 indicating a decline of Rs.951,609 in the financial results. When Capital Grants of Rs.117,517,109 and Capital Expenditure of Rs.102,234,414 are adjusted to this financial result, financial result relevant to the year under review had become a surplus of Rs.15,670,103.

2.2 Analytical Financial Review

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.41,098,095 relevant to the year under review, a sum of Rs. 32,664,629 as 79% was consisting revenue not falling under a nature generated in the Sabha such as Court Fines, Stamp Fees and Salary Reimbursements. Similarly, the entire Capital Revenue of Rs. 117,517,019 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
- (b) Out of the total Recurrent Expenditure of Rs. 40,710,598 relevant to the year under review, a sum of Rs. 28,786,651 as 71% approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 27,921,091 as 97% approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Other Revenue. Out of the Capital Expenditure of Rs. 102,234,414, a sum of Rs. 569,467 as 1% had been spent from the Sabha Fund, while the balance 99% amounting to Rs. 101,664,947 were development works performed out of the provisions of other institutions such as Gama Neguma and Maga Neguma.

2.3 Revenue Administration

2.3.1 Court Fines and Stamp Fees

Court Fines amounting to Rs.1,553,425 and Stamp Fees amounting to Rs. 6,409,594 were receivable from the Chief Secretary to the Provincial Council as at the end of year under review.

3. Operating Review

3.1 Idle and Under-utilized Assets

The Motor Grader, the Tipper Vehicle, the Road Roller, the Crew Cab Vehicle and the Tractor had not been used as steps had not been taken to insure having registered. Similarly, another 4 vehicles remained idle during the year under review.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management