

## Polpithigama Pradeshiya Sabha

### Kurunegala District

#### 01. Financial Statements

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##### 1.1 Presentation of Financial Statements

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Financial statements of the year 2019 had been presented to the Audit on 22 April 2020 and the Summary Report and the Detailed Management Audit Report of the Auditor General relating to those financial statements had been sent to the Chairman on 17 July 2020.

##### 1.2 Qualified Opinion

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In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion section 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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

##### 1.3 Basis for Qualified Opinion

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| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments of the Accounting Officer</b>   |
|---|---|---|
| (a) Interest income of Rs. 165,818 and Rs. 925,257 had not been brought to account in the two fixed deposit accounts opened during the year under review. | Action should be taken to correctly identify and account for interest income relevant to the accounting period. | After obtaining a Balance Certificate from the People's Bank by 31 December 2019, interest will be accounted for in the year 2020 |
| (b) Books worth Rs. 90,294 received as donations by six libraries had not been brought to account.  | Assets received as the donations should be brought to account.  | Action will be taken to make the relevant corrections through the journal entries in the year 2020.                               |
| (c) Due to non-submission of required information, 04 items of accounts worth Rs. 146,118,659 could not be satisfactorily vouched in audit.               | Evidence in support of the account balance shown in the financial statements should be submitted.               | The balance certificates for creditors and debtors balances will be submitted in the year 2020                                    |

## 02. 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. 5,656,231 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs.9,115,048 for the preceding year.

### 2.2 Revenue Administration

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

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Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

| Source of Revenue  | Year 2019         |                |                   |                              | Year 2018         |                |                   |                              |
|--------------------|-------------------|----------------|-------------------|------------------------------|-------------------|----------------|-------------------|------------------------------|
|                    | Estimated Revenue | Billed Revenue | Collected Revenue | Total Arrears at 31 December | Estimated Revenue | Billed Revenue | Collected Revenue | Total Arrears at 31 December |
|                    | Rs.               | Rs.            | Rs.               | Rs.                          | Rs.               | Rs.            | Rs.               | Rs.                          |
| I. Rates and Taxes | 3,120,000         | 2,544,857      | 2,544,857         | -                            | 1,975,000         | 1,975,000      | 2,356,720         | 2,342                        |
| II. Lease Rents    | 7,637,420         | 1,288,826      | 1,258,644         | 40,850                       | 7,685,600         | 7,685,600      | 7,483,346         | 10,668                       |
| II. License Fees   | 1,150,100         | 946,202        | 946,202           | -                            | 850,100           | 850,100        | 1,066,613         | -                            |
| V. Other Revenue   | 775,000           | 9,530,376      | 9,530,376         | -                            | 10,175,000        | 10,175,000     | 363,583           | -                            |
| Total              | 12,682,520        | 14,310,261     | 14,280,079        | 40,850                       | 20,685,700        | 20,685,700     | 11,270,262        | 13,010                       |

Note : The revenue collected in the year 2019 included a sum of Rs. 19,640,469 collected with respect to the preceding years.

### 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.

#### By-laws

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| <b>Audit Observation</b>   | <b>Recommendation</b>                                  | <b>Comments of the Accounting Officer</b> |
|--|--|---|
| By-laws 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 12 activities even up to 31 December 2019. | By-laws should be drafted and submitted expeditiously. | Essential by-laws are being drafted.      |

#### 3.2 Management Inefficiencies

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| <b>Audit Observation</b>  | <b>Recommendation</b>                           | <b>Comments of the Accounting Officer</b>  |
|---|---|--|
| (a) No action had been taken to recover the Rs.50,000 deposited in the Sri Lanka Local Government Employees' Union at the interest rate of 2.5 per cent per annum in 1999 with the approval of the Commissioner of Local Government,. | Action should be taken to recover the deposits. | It is informed that as it has been reported that there is no such institution, it has been decided to inform the Commissioner of Local Government according to the decision of the General Assembly on 12 March 2020 and recover the amount from the relevant institution 2020 and that that the Commissioner of Local Government has been informed by the letter No. POIPI / PS / 02/02/07 dated 29 May 2020. |

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|-----|--|---|---|
| (b) | There was a balance of 107,164,703 further remained receivable as at 31 June 2020 out of the amount of Rs. 2,899,560 continued to exist for more than one year . | Action should be taken to recover the account balances due. | It is informed that although the outstanding stamp duty of Rs.3,523,323 has been requested from the Chief Secretary's Office, no action has been taken up to date to pay that amount and an amount of Rs. 2,463,077 has been recovered from industrial debtors amounting to Rs. 4,367,797 and the remaining amount of Rs. 1,904,719 will be recovered in future.  |
| (c) | Out of the payable accounts balance of Rs. 90,123,203 as at the end of the year, a sum of Rs. 88,209,931 further remained payable.                               | Action should be taken to settle the account balances.      | It is informed that the total balance of creditors which has not been settled for more than 05 years is Rs. 5,304,622 and due to deficiencies in the files pertaining to the industries implemented in the year 2014, no payment has been made so far and action will be taken to make the payment as soon as they are settled. Loan balance of more than 01 year and less than 03 years is Rs. 3,252,902 while the remaining balance is Rs. 1,667,965 at present. Action will be taken to pay the balance in the future. |

### 3.3 Operating Inefficiencies

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| Audit Observation   | Recommendation   | Comments of the Accounting Officer  |
|---|--|---|
| -----   | -----  | -----   |
| For 12 telephone towers approved by the Sabha, certificates of conformity had not been issued by charging Rs.71,500. Six towers for which | Action should be taken to charge the required fees and issue certificates of conformity. | Two telephone transmission tower construction plans for the year 2019 have been approved on 26 March 2019 and 24 April 2019 and permission had been granted for one |

more than a year had elapsed from the approval of their plans had been used without a certificate of conformity and the relevant penalty for that was Rs.1,253,650 at was Rs. 50 per day as at 31 December 2019.

year construction period. However, as the construction period was not over, request has been made to extend the construction and accordingly construction period has been extended by one more year and steps will be taken to release the Certificate of Conformity and recover the business tax upon completion of the construction.

### 3.4 Human Resource Management

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| Audit Observation   | Recommendation                                       | Comments of the Accounting Officer  |
|---|--|---|
| <p>As at 31 December of the year under review, there were vacancies comprising 01 vacancy in the tertiary level, 04 vacancies in the secondary level and 10 vacancies in the primary level.</p> | <p>Action should be taken to fill the vacancies.</p> | <p>Recruitments for tertiary and secondary posts will be made by the Public Service Commission and attached to the institution. Although recruitment for the vacant posts of Primary level had been approved through the cut-offs, published in the Gazette, called for applications and fixed the dates for the qualifying interviews, it was temporarily suspended until further notice by the Ministry of Finance.</p> |

### 3.5 Assets Management

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#### Assets Not Vested

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| Audit Observation  | Recommendation   | Comments of the Accounting Officer  |
|--|--|---|
| <p>(a) No action had been taken to take over 128 cemeteries in the area of authority of the Sabha.</p> | <p>Action should be taken to take over the cemeteries.</p> | <p>It is informed that requests have been made to the Divisional Secretary to take over all these 128 cemeteries, but no action has been taken to hand over them.</p> |

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|-----|---|--|--|
| (b) | No action had been taken to take over the ownership of 10 motor vehicles worth Rs.16,189,440 to the Pradeshiya Sabha. | Action should be taken to take over the ownership of the vehicles. | It is informed that action has been taken to take over the ownership of 10 vehicles to the Pradeshiya Sabha. |
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### 3.6 Procurement

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#### 3.6.1 Contract Administration

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|     | Audit Observation   | Recommendation   | Comments of the Accounting Officer  |
|-----|---|--|---|
|     | -----   | -----  | -----   |
| (a) | Concrete work of the Rekawula Road from Gale Junction to Yoda Ela carried out at an estimated value of Rs. 2,047,567 was examined and it was found in excavation done at 42 meter and 79 meter from the beginning of the road that the middle part of the road was not paved with concrete to a thickness of 150 mm. The thickness of the section tested was 87.5 mm and 100 mm, respectively. Constructions of 10 items of works had not been completed properly | Constructions should be carried out according to the prescribed standards. | As the contractor has agreed to apply concrete with a 1: 2: 4 mixture to a thickness of 5 "on the relevant road surface, The Rural Development Department has been informed in a letter not to make payments till the completion of the concrete section. |
| (b) | A sum of Rs. 970,818 had been spent for the development of the road from near the Podi Signgho's house to Jayantha Banda's house by laying gravel. It was observed when checking the road by excavating at about 12 locations along the road that, the thickness of the gravel layer ranged from 0.4 to 3.5 inches. The gravel with quartz in 4 x 2 inch had been laid on the road, thus deviating from the proper standards.                                     | Constructions should be carried out according to the prescribed standards. | Due to rain and environmental factors road has been washed away .   |

- (c) Although payment of Rs. 1,938,866 had been approved for renovation of the road from near the Mee Oya bridge to Rambawewa by applying tar, the works such as paving the ABC on the road, leveling the road, preparing the road to drain water, using a roller of the required weight to crush the ABC, paving the 1 ½, ¾ stone, etc. had not been done properly. At road inspection, the thickness of the ABC applications was observed in 2, 4, 4 ½, inches. There were 1 ½ inch stones emerged along the road and they were slipping off the road. In preparing the estimates, estimates prepared for another road had been used without physically inspecting the route. As a result, irrelevant items of work had also been included.
- Constructions should be carried out according to the prescribed standards.
- Action will be taken to release the retention money after correcting the deficiencies.
- (d) In the renovation carried out by tarring on the Ranamukgama road starting from near Mee Oya for which Rs. 1,941,123 had been paid, an extent of 8 x 1.2 meters within the section of 9 - 17 meters from Mamunugama, the starting point of the road and an extent of 14 x 1.4 meters within the section from 17 meters to 49 meters had sunk. Further, the thickness of 6 inches of ABC to be applied within the range of 17 - 49 meters of the road had not been so applied and the average thickness of the ABC was 4 - 4 ½ inches. An area of 9 x 1.9 meters within in the section from 72 to 81 meters and an area of 3 x 0.8 meters in the section from 161 to 164 meters had been cracked. Accordingly, the construction of the road had not been carried out satisfactorily according to a standard.
- Constructions should be carried out according to the required standards.
- The contractor was informed the matter and it had been rectified by now. Action will be taken to release the retention money after rechecking the renovations.

- (e) On the road from the house of Mr. EM Kiribanda of Madagalle to Thekkawatta, which had been renovated by tarring at a cost of Rs.1,938,242, an extent of 4 x 3 meters within the section from 16-20 meters from the starting point of the road had sunk. In checking the sunk places it was revealed that ABC had not been applied in some places while ABC had not been applied in the due thickness in some other places. The stones on the road surface had not been properly connected to each other due to insufficient application of tar in the section from 120 - 163 meters. Further, Rs. 38,063 had been paid for the application of 1.60 cubic meters of concrete under work items Nos. 15 and 16, but no such work had been done.
- Works should be performed according to the required standards.
- The contractor was informed the matter after a field inspection. That the contractor agreed to repair the sunken places, Action will be taken to release the retention money after inspecting the renovations.

### 3.6.2 Surcharge

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| Audit Observation   | Recommendation                                       | Comments of the Accounting Officer |
|---|--|------------------------------------|
| -----   | -----  | -----                              |
| Measures taken in respect of 04 surcharge certificates amounting to Rs. 1,283,910 issued on 20 May 2014 under losses incurred due to negligence or misconduct had not been finalized. | Action should be taken in respect of the Surcharges. | Not replied.                       |

### 04. Operating Review

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#### Internal Audit

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| Audit Observation  | Recommendation   | Comments of the Accounting Officer |
|--|--|------------------------------------|
| -----  | -----  | -----                              |
| Although an Internal Audit Unit has been established, no internal audit has been conducted since July 2019. Only 02 audit queries had been issued up to July 2019. | Internal audit activities should be maintained actively. | Not replied.                       |