

**Polgahawela Pradeshiya Sabha**

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**Kurunegala District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2017 had been presented to audit on 27 March 2018 and the report of the Auditor General on the financial statements forwarded to the Chairman on 30 October 2018.

**1.2 Qualified Opinion**

In my opinion, except for the effects 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 Polgahawela 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) The provisions for audit fees for the year under review had not been made.
- (b) Despite, that action has been taken to remove the equipment existed in the Polgahawela children's park temporary due to a development activity and action has been taken to fix again, the value of those equipment had been eliminated from the fixed assets account and from revenue contribution to capital outlay account.
- (c) According to the Register of Fixed Assets the value of 06 buildings of weekly fair amounting to Rs.431,666 had not been brought to account.
- (d) According to the machinery and equipment register, a tractor valued at Rs.485,000 had been brought to account as Rs.99,000.
- (e) According to the Deposits Register, the value of the minimum bid deposit amounting to Rs.832,771 had been brought to account as Rs.616,158.

- (f) Works administration deposits of Rs.285,472 relating to the year under review had not been brought to account.
- (g) The court fines receivable as at 31 December of the year under review had been overstated by Rs.105,757 in the accounts.

### **1.3.2 Unreconciled Accounts**

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A difference of Rs.29,380,770 had existed between the balances of financial statements and the registers relating to 11 items of accounts.

### **1.3.3 Accounts Receivable and Payable**

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#### **(a) Accounts Receivable**

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The age analysis had not been prepared for the receivable balances of Rs.6,892,060 out of the accounts receivable amounting to Rs.61,068,747 as at the end of the year under review.

#### **(b) Accounts Payable**

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The following matters were observed.

- (i) The age analysis for the balances of the payable accounts amounting to Rs.77,797,683 as at 31 December 2017 had not been prepared.
- (ii) Action had not been taken to settle the balances amounting to Rs.24,105,803 remained for a period ranging from 01 year to 19 years.

### **1.3.4 Lack of Written Evidence for Audit**

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Thirteen items of accounts totalling Rs.5,644,264 could not be satisfactorily verified in audit due to non-submission of required information.

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

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The instances of non-compliance with laws, rules, regulations and management decisions are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value</b>	<b>Non-compliance</b>
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	Rs.	
(a) 1988 Pradeshiya Sabha (Financial and Administration) Rules -----		
(i) Rule 59	-	The surveys in respect of industries and businesses had not been conducted in the authoritative area of the Sabha and a list thereon had not been prepared.
(ii) Rule 214	-	All properties and goods belonging to the Sabha had not been surveyed.
(iii) Rule 217 and 218	-	The buildings of 4 units and the lands on which situated the buildings had not been recorded and a surveys of the lands also had not been carried out.
(b) Treasury Circular No.IAI/2002/02 dated 28 November 2002	1,571,579	A separate Register of Fixed Assets in respect of Computers, Accessories and Software had not been maintained.
(c) Extra-ordinary Gazette No.1597/8 of Democratic Socialist Republic of Sri Lanka dated 17 April 2009.	1,840,000	Processing charges had not been recovered from 08 telecommunication towers installed in the authoritative area of the Sabha.

### **1.3.6 Transactions without Authority**

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The value of 02 lands belonging to the Sabha amounting to Rs.2,203,363 had been eliminated from the financial statements without a proper authority.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of expenditure over recurrent revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.220,059 as against the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.11,044,465.

### 2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	Year 2017				Year 2016			
	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	11,096	11,264	8,165	7,436	9,841	10,158	8,164	7,482
(ii) Lease Rent	9,090	8,874	8,735	3,526	6,113	7,162	6,814	2,477
(iii) Licence Fees	2,626	481	480	-	449	505	311	-
(iv) Other Revenue	121,460	94,135	94,132	15,962	116,993	95,518	95,516	33,564
Total	144,272	114,754	111,512	26,924	133,396	113,343	110,805	43,523

Note:

\* The recoveries collected from arrears of revenue relating to the preceding years amounting to Rs.6,281,142 had included in the revenue collected during the year under review.

\* The differences were observed in the values furnished by the Sabha relating to revenue administration and the values shown in the financial statements.

#### 2.2.2 Performance in Collection of Revenue

The billed revenue for the year under review amounted to Rs.114 million and the collected revenue amounted to Rs.111 million. A sum of Rs.6 million collected in respect of the preceding

year had included in that. The arrears of revenue remained as at 31 December of the preceding year amounting to Rs.43 million had decreased up to Rs.26 million by the year under review.

### **2.2.3 Rates and Taxes**

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The following matters were observed.

- (a) An age analysis for the arrears of rates and taxes amounting to Rs.7,436,958 as at the end of the year under review had not been prepared.
- (b) The Register of rates and taxes had not been maintained in an updated manner in terms of Rule 32 of 1988 Pradeshiya Sabha (Financial and Administration) Rules.

### **2.2.4 Lease Rent**

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The recoverable trade stall rent and tender lease rent as at 31 December of the year under review amounted to Rs.1,466,109 and Rs.2,045,832 respectively.

### **2.2.5 Court Fines and Stamp Fees**

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The court fines and stamp fees receivable from Chief Secretary of the Provincial Council as at the end of the year under review amounted to Rs.708,375 and Rs.2,500,000 respectively.

## **3. Operating Review**

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### **3.1 Performance**

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The matters revealed on the execution of activities to be executed by the Sabha in respect of regularize and control over the matters such as public health, public utility services and public roads and comfort, facility and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

#### **(a) By-laws**

Even though the by-laws should be imposed to execute 30 main activities under Section 126 of Pradeshiya Sabha Act, the by-laws for above activities had not been imposed even by 31 December 2017 while the Sabha had embraced the by-laws imposed by the Extraordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988 and action had been taken accordingly.

(b) **Activities not Executed**

Four works which estimated value amounting to Rs.640,000 had not been executed in the year under review.

(c) **Solid Waste Management**

Bio degradable waste had been utilized and produced fertilizer and a quantity separated from solid waste had been sent to Holcim Company and the balance of waste had been buried in the compost yard.

(d) **Environmental Problems**

The waste disposals including plastic bottles, cups and polythene in the railway line running across the authoritative area of the Sabha and as well as in the railway yard, station had not been properly carried out.

(e) **Preparation for achievement of Sustainable Development Objectives and Goals**

The Sabha had aware in respect of the “2030 agenda of Sustainable Development” through training programmes and the media. Under the pro-poor programmes the activities such as self-employment training programmes, providing grants and equipment for self-employed families, awareness programmes for women entrepreneurs, providing housing aids, providing school equipment for low-income families and improvement of attitudes had been carried out.

**3.2 Management Inefficiencies**  
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The following matters were observed.

- (a) Action had not been taken to carry out a survey in respect of telecommunication transmission towers established in the authoritative area of the Sabha and to earn revenue for the Sabha.
- (b) Thirty four deposits of Employees Provident Fund and employees Trust Fund amounting to Rs.1,101,616 had existed without being distributed for the beneficiaries and the balances of Rs.401,875 out of that, had remained for a period ranging from 01 year to 18 years.
- (c) The land of the Pradeshiya Sabha , Vocational Training Centre building, pre-school building, official quarters and the garage had not been assessed.

### **3.3 Human Resources Management**

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The following matters were observed.

#### **(a) Vacancies and Excesses of Staff**

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Two vacancies of Tertiary Level and 10 vacancies of secondary level had existed in the approved cadre.

#### **(b) Staff Loans**

Action had not been taken to recover a sum of Rs.98,228 from 02 employees who vacated of posts.

### **3.4 Assets Management**

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#### **3.4.1 Not confirmed the Security of Assets**

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- (i) Despite, that the Sabha had revealed that the common land portion in extent of 01 rood and 37.7 perches received to the Sabha in the year 2014 from the Godawela, Batugolla land had been sold, legal action had not been taken thereon.
- (ii) Unauthorized houses had been constructed as covering a land portion of the Solid Waste Management Centre and the people had dwelled there but the Sabha had not taken action to remove those unauthorized dwellers.

#### **3.4.2 Assets not vested**

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The ownership relating to 08 lands which possessed by the Sabha had not been vested with the Sabha while the information relating to extent of those land portions was not made available in the Sabha.

#### **3.4.3 Idle and Underutilized Assets**

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The following matters were observed.

- (a) Four block stones production machines and furniture and fittings had remained idle from the year 2015 and the value of those amounted to Rs.1,397,152 and Rs.16,810 respectively.
- (b) An official quarters of executive level giving for the staff officers and a garage situated near Vishaka Pre School had remained idle since 11 years.

### 3.5 Procurements

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#### 3.5.1 Contract Administration

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In a physical examination carried out in respect of laying of block stones for the access road of the Piduruwella Sri Sudharmarama Temple which constructions completed on an estimate of Rs.1,742,294, it was shown 34 subsided places in the road in various sizes and in one side of the road it was shown subsides of 17 x 0.4 meters.

### 4. Accountability and Good Governance

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#### 4.1 Budgetary Control

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A sum of Rs.4,781,455 had been incurred for the execution of 14 works which had not been budgeted for the year under review.

### 5. Systems and Controls

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The 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 controls.

<b>System</b>	<b>Deficiency</b>
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(a) Accounting	Non-maintenance of books of accounts and registers in an updated manner.
(b) Assets/ Property control	(i) Non-recording of assets. (ii) Not confirmed the security (iii) Idle and underutilized assets.
(c) Debtors/ Creditors control	(i) Non-preparation of schedules. (ii) Non-preparation of age analysis.
(d) Contract Administration	(i) Lack of adequate supervision. (ii) Constructions not carried out in a proper standard.