

Polgahawela Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1. Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued 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 Polgahawela 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

"St. Bridget State" at Weerambagedera in extent of 01 Acre 06 Perches purchased for a sum of Rs.5,000,000 during the year under review had been taken to financial statements as Rs.500,000.

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. 8,140,747.

1.3.3. Unreconciled Control Accounts

Non-reconciliations in a sum of Rs. 189,486 were observed between the accounts and relevant registers relating to an item of accounts under final balances of the year under review.

1.3.4. Accounts Payable

Value of Accounts Payable as at 31 December 2014 was Rs. 71,614,055. Out of those a sum of Rs. 12,064,235 was balances being brought over a period of more than 3 years.

2. Financial Review

2.1. Financial Results

According to the Financial Statements presented, operational surplus of the Sabah for the year ended 31 December 2014 had been Rs. 32,195,720 as compared with the corresponding operational surplus amounted to Rs. 48,748,055 in the preceding year indicating a decline of Rs. 16,552,335 in the operational result. When Capital Grants of Rs. 58,738,092 and Capital Expenditure of Rs. 102,534,627 are adjusted to this operational result, financial result relevant to the year under review had become a deficit of Rs. 11,600,815.

2.2. Analytical Financial Review

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.116,866,479 relevant to the year under review, a sum of Rs. 101,558,090 as 87% 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. 58,738,092 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. 84,670,758 relevant to the year under review, a sum of Rs. 61,417,807 as 73% approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 41,730,489 as 68% approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Government Recurrent Grant. Out of the Capital Expenditure of Rs. 102,534,627, a sum of Rs. 5,847,426 as 6% only had been spent from the Sabha Fund, while the balance 94% amounting to Rs. 96,687,201 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. Rates

- (a) Out of the sum of Rs. 6,198,153 shown as Rates in arrear, a sum of Rs.1,776,106 as 29% approximately was relevant to the Pothuhera Sub-office and a sum of Rs.2,094,210 as 34% approximately was relevant to the Hathalispahuwa Sub-office.
- (b) A sum of Rs.4,442,481 as 72% approximately relevant to past years was included in the Accumulated Rates in Arrears amounting Rs. 6,198,153 accounted for the year under review.

2.3.2. Stall Rent

- (a) An Arrears Balance of Rs. 45,712 brought forward over a long period relevant to stalls in the Public Market remained un recovered up to the end of the year under review.
- (b) A sum of Rs. 85,413 as Rs. 30,643 relevant to 06 stalls demolished and removed in the public market during the year 2011 and a sum of Rs. 54,770 relevant to 03 stalls in the Polgahawela Town was in arrears up to the end of the year under review.
- (c) A sum of Rs. 10,511 relevant to 03 non-billing places at present was in arrears up to the end of the year under review.

2.3.3. Lease Rent

- (a) Registers and Records relevant to 7 cases filed for recovery of Revenue in Arrears amounting to Rs. 2,115,756 had not been properly maintained. Due to that, particulars relating to judgments and present position could not be identified.
- (b) A sum of Rs. 684,158 was due to be recovered as arrears from the lessee for leasing out the Bus Stand Canteen as at the end of the year under review.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Action had not been taken by the Sabha to vest the Land in extent of 3 acres from the Land Reform Commission where the Weerambagedera Sub-office is located and due to that, Land Reform Commission had been given that land to a private party. A sum of Rs. 5,000,000 had been spent during the year under review to get back again a portion of land to the extent of 01 acre and 06 perches.

- (b) While legal action had not been taken to eject the un-authorized occupants in the Oraliyadda Land belongs to the Sabha, the extent and value of that land too had not been taken to schedule of lands.

3.2 Idle or Under-utilized Assets

The Tipper Vehicle bearing No. 68-3676 valued at Rs. 1,255,000 and Bellero Jeep Vehicle bearing No. LF-4884 valued at Rs. 1,319,050 accounted under Motor Vehicles and Carts during the year under review had been kept idle since the year 2013 and 2014 respectively.

4. Systems and Control

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

- a) Accounting
- b) Budgetary Controls
- c) Revenue Administration
- d) Assets Management
- e) Vehicles Control