

## **Polpithigama Pradeshiya Sabha**

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

#### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 07 April 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 07 September 2016.

#### **1.2 Qualified 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 as at 31 December 2015 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**

Following accounting deficiencies are observed.

- (a) Although the balance of the Fixed Deposits Account should be equal to the balance of the Contribution from Revenue to Capital Outlay Account, a difference of Rs. 77,892,792 existed between the two accounts.
- (b) While the value of the two water purification units amounting to Rs. 5,902,898 constructed and completed during the year 2015 had not been accounted in the financial statements, action had not been taken to assess the value of Saliyagama Weekly Fair

### 1.3.2 Accounts Receivable and Payable

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Following matters are observed.

#### (a) Accounts Receivable

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- (i) While the value of Accounts Receivable balances as at 31 December 2015 was Rs.41,146,177, age analysis relevant to Work Debtors amounting to Rs. 23,856,176 was not submitted to audit.
- (ii) A sum of Rs.30,000 out of Revenue Debtors were consisting with balances being brought forward during a period more than 03 years.

#### (b) Accounts Payable

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- (i) While the value of Accounts Payable balances as at 31 December 2015 was Rs.33,683,156, it had not been possible to furnish age analysis relevant to Works and General Supply Creditors amounting to Rs. 27,654,320.
- (ii) Out of Deposits Refundable, a sum of Rs. 945,981 were being brought forward during a period more than 03 years.

## 02 Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, the operational surplus of the Sabha for the year ended 31 December 2015 had been Rs 13,705,836 as compared with the corresponding surplus amounted to Rs.387,497 during the preceding year indicating an improvement of Rs. 13,318,339 in the financial result. After adjustment of the Capital Grant amounting Rs. 26,602,846 and Capital Expenditure amounting to Rs. 31,903,811 to this, **operational** result, financial result relevant to the year under review had become a surplus of Rs. 8,404,871.

## 2.2 Analytical Financial Review

Following matters are observed.

- (a) Actual revenue and expenditure relevant to the year under review and the preceding year and relevant variations are shown below.

Source of Revenue	Revenue			Expenditure Item	Expenditure		
	2015	2014	Variance		2015	2014	Variance
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	17,961	8,433	9,528	Personal Emoluments	37,164	28,787	8,377
(ii) Others	<u>41,551</u>	<u>32,665</u>	<u>8,886</u>	Others	<u>8,643</u>	<u>11,924</u>	<u>(3,281)</u>
Sub total	59,512	41,098	18,414	Sub total	45,807	40,711	5,096
(iii) Capital Grant	26,603	117,517	( 90,914)	Capital Expenditure	<u>31,903</u>	<u>102,234</u>	(70,331)
Grand Total	<u>86,115</u>	<u>158,615</u>	<u>(72,500)</u>	Grand Total	<u>77,710</u>	<u>142,943</u>	<u>(65,235)</u>
Operational Result	13,705	387	13,318	Financial Result	8,404	15,670	( 7,266)

- (b) While the total Recurrent Revenue of the Sabha relevant to the year under review was Rs. 59,512,457, out of that a sum of Rs.41,,551,366 or 69.8 per cent was revenue not falling under a nature generated in the Sabha and were receipts such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, the entire capital revenue of Rs. 26,602,846, was consist of funds provided for development works in the area of authority of the Sabha on the basis provisions of other institutions such as sources from Gama Neguma and Maga Nguma.
- (c) Out of the total Recurrent Expenditure of Rs. 45,806,621 relevant to the year under review, a sum of Rs. 37,163,677 or 81 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 32,074,958 or 86 per cent had been received from the Commissioner of Local Government as salary reimbursements while that value had been accounted under other Revenue. Similarly, out of the capital expenditure of Rs. 31,903,811, a sum of



Although revenue amounting to Rs.5,667,302 had been billed under Lease Rent relevant to the year under review, out of that a sum of Rs. 5,394,567 or 95.18 percent had been recovered out of that.

### **2.3.3 Court Fines and Stamp Fees**

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Court Fines amounting to Rs.7,652,500 and Stamp Fees amounting to Rs. 8,260,300 were Receivable from the Chief Secretary to the Provincial Council as at the end of the year under review.

## **03. Operating Review**

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### **3.1 Management Inefficiencies**

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Following observations are made.

- (a) While a sum of Rs. 2,037,928 payable to the Pension Department remained outstanding since a period more than 02 years, action had not been taken to settle it.
- (b) Sixteen Deposit balances amounting to Rs. 1,018,911 existing during a period between 01 and 06 years from the year 2009 to 2014 had not been settled even as at 31 January 2016.
- (c) Running Charts containing running details of the vehicles were not furnished to audit.

### **3.2 Operational Inefficiencies**

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Following matters are observed.

- (a) There was a credit balance of Rs. 1,585,098 as at 31 December 2016 in the Sustainable Maintenance Account which remained as a dormant account.
- (b) A file connected with the purchase of 10 tables, 10 office chairs 10 fiber cupboards and 2 deck cupboards for the Sabha Office by spending a sum of Rs. 482,000 was not furnished to audit. This purchase had been made direct from the Co-operative Credit Societies Union without calling for quotations through newspaper advertisements or from the registered suppliers.

### **3.3 Purchase and Distribution of Dairy Livestock**

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While 18 Dairy Livestock had been purchased out of provisions amounting to Rs. 1,440,000 of the Ministry of Provincial Councils and Local Government received under the Program for Minimizing Poverty in Provinces in the Budget Proposals - 2013 and Beneficiaries' contribution of Rs. 360,000, it had been mentioned that a 20 percent contribution should be obtained per a dairy cow in terms of clause 01 in annexure 02 in the letter of instructions of the Commissioner of Local Government. Although the value of a milk cow purchased by the Sabha had been in a range between Rs. 90,000 and Rs. 120,000, it was revealed that recoveries had been made at the rate of Rs. 20,000 from all beneficiaries. While purchase of livestock had been made from some private owners, information relating to basis of selection of the suppliers was not furnished to audit. Although agreements had been signed between the beneficiaries provided with livestock and the Sabha, any information with regard to identification of the livestock provided to the beneficiary had not been stated in that agreement.

### **3.4 Transactions of Contentious Nature**

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- (a) Although there was balance of 43 plastic chairs in folio 119 of the Inventory Register, at the physical inspection carried out on 29 January 2016 a shortage of 35 chairs was observed.
- (b) It was revealed that 3387 block stones valued at Rs. 103,447 entered in the Work Stores Accounts Ledger on 15 July 2015 had been misplaced.

### **3.5 Improper Transactions**

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While the Construction Work of 20 Box Stalls had been carried out on the basis of Palath Neguma provisions amounting to Rs. 6,000,000, for the year 2014. Estimates had been prepared again on 17 December for 8' – 6' box stalls amounting to Rs. 198,142 and 8' – 12' box stalls amounting to Rs. 306,016. Technical Office had prepared estimates for two amounts on 01 August 2014 and on 17 December 2014. For this, quotations had not been called by publication of advertisements in newspapers. While quotations dated 24 September 2014 had been obtained from three establishments in the area of Polpithigama

based on the original estimate, later quotations without dates had been obtained from another three institutions and only those had been submitted to the Sabha without taking any course of action with regard to the original quotations. According to the quotations submitted, although a minimum quotation of Rs. 168,000 had been received for Box Stall of size 8' 6' from 'Dhanara Welding Works' without considering that quotation, relevant work had been given to 'Kaveesha Iron Works' for making 9 Box stalls at the rate of Rs. 198,000. Accordingly, the Sabha had to pay an extra sum at the rate of Rs. 30,000 per each Box Stall for 09 Box stalls totaling Rs. 270,000. A proper agreement too had not been entered into in terms of Clause 8-9-3 of the Procurement Guidelines.

### **3.6 Contracts Administration**

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#### **3.6.1 Construction of Public Latrine in the Polpithigama Public Stadium**

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Public Latrine in the Polpithigama Public Stadium had been constructed as a direct construction at an estimate of Rs. 1,980,120 on the basis of Palath Neguma provisions amounting to Rs. 2, 000,000 for the year 2014. A sum of Rs. 1,200,000 had been paid on 30 April 2015 to an establishment, for materials obtained for this. Invoices or stores receipts relevant to materials obtained for this work had not been submitted. Although this Work had been performed as a direct construction by the Sabha, according to the file, a sum of Rs. 1,752,398 had been provided, but, any payment had not been made for labor even up to 05 February 2016, date of audit. While work completion report amounting to Rs. 1,973,113 too had been prepared through the technical officer under the date 26 November 2015, at the physical inspection carried out on 02 May 2015, it was observed that accessories valued at Rs. 62,164 had not been fixed.

#### **3.6.2 Completion of balance work in upper floor of the Office**

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While completion of balance work in upper floor of the Office on an estimate of Rs. 4,500,000 to be incurred out of Sabha Fund on contract basis had been given, having called for quotation through newspapers, process of awarding the contract was questionable in audit. In that, there were disparities with regard to dates of performance of each activity. Although it was required to withhold a sum of Rs. 143,813 as retention

money, a sum of Rs. 88,813 only had been withheld. While agreement had been signed on 02 May 2015 with the contractor to complete this work within 03 months, relevant work had not been completed even as at 05 February 2016, date of audit, after expiry of 6 months of the agreed period. While provisions had not been made in the agreement with regard to recovery of charges for the delayed period, any course of action had not been taken by the Sabha with regard to the delay in performance of the Work.

## **04,     Accountability and Good Governance**

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### **4.1     Assets Management**

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#### **4.1.1   Idle and Underutilized Assets**

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Following matters are observed.

- (a)     Finger Marks Machine purchased on 22 August 2011 for a sum of Rs. 61,600 by the Sabha had been defunct even up to February 2016 since November 2014.
- (b)     While 02 Block Stones Machines purchased for a sum of Rs. 280,000 during the year 2013 had been defunct since the years 2014 and 2015, block stones had been purchased from outside establishments during those years. Assets belong to the Sabha had been kept idle Four Assets belong to the Sabha had been kept idle.
- (c)     Four assets delay to the Sabha remained idle.

## **05.     Systems and Controls**

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

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