

Polgahawela Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 were submitted for audit on 11 March 2020 and the summary report of the Auditor General on those financial statements and the detailed management audit report had been sent to the Chairman on 24 June 2020 and on 22 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Polgahawela Pradeshiya Sabha as at 31 December 2019, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	Notarial fees, amounting to Rs. 224,900 incurred at the time of acquiring Weerambagedara St. Bridget's Estate in extent of 1 acre and 6 perches, had not been capitalized.	Notarial fees should be capitalized on the value of the land.	Action will be taken to rectify this.
(b)	The value of fixed assets was overstated as Pothuhera Nambaruwakanda land worth Rs. 2,030,195 had been brought to accounts twice.	Necessary action should be taken to rectify.	I will take action to rectify this.
(c)	Six (06) lands worth Rs. 420,000 had been omitted in accounting.	Action should be taken to account these lands.	I will take steps to rectify this in the preparation of accounts for the year 2020.

(d) The value of the motor carts had been understated by Rs. 14,779,620 as the value of backhoe loader worth Rs. 16,380,000 had been brought to accounts as Rs. 1,600,380.	Action should be taken to account the correct value.	I will take steps to rectify this.
(e) Even though the amount payable to the Director of Pensions at the end of the year was Rs. 8,136,370, it was indicated in final accounts as Rs. 8,095,047, and as a result, current liabilities had been understated by Rs.41,323.	Action should be taken to account the correct value.	Since it is an error occurred in accounting, I will take steps to rectify the error.
(f) Even though the billing of the salary reimbursements for the year under review had been Rs. 86,930,475, it had been stated as Rs. 77,919,492 in the final accounts.	Action should be taken to account the correct value.	This error has occurred due to not accounting the non-reimbursed amount of the salaries of the employees recruited by the Department of Local Government in the year 2018. I will take steps to correct this.
(g) There were discrepancies amounting to Rs. 884,154 between the balances related to one accounting subject of the financial statements and the balances shown in the relevant schedules.	Action should be taken to correct the accounts by reconciling the changes in the relevant balances.	I will take steps to correct it since it is an error occurred in the provision of information to the accounts.
(h) There was a difference amounting to Rs. 1,448,750 in fixed assets according to financial statements and stock verification reports.	Action should be taken to correct the accounts by reconciling the changes in the relevant balances.	I will take steps to rectify it.
(i) Documents and detailed schedules for 7 accounting subjects amounting to Rs. 81,968,032 had not been submitted for audit.	Evidences confirming the account balances indicated in the financial statements should be submitted.	I will make arrangements to submit the relevant schedules along with the Financial Statement for the year 2020.

1.4 Non-compliance

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Instances of non-compliances with provisions of Laws, Rules and Regulations are mentioned below.

Reference to Laws, Rules, Regulations and Management Decisions	Non -Compliance	Recommendation	Comments of the Accounting Officer
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Pradeshiya Sabha (Finance and Administration) Rules of 1988			

Section 218	Annual surveys had not been conducted in relation to lands and buildings.	Action should be taken to conduct annual surveys on the property of the Sabha.	I kindly inform you that a survey board will be appointed and the survey will be conducted hereinafter.

02. Financial Review

2.1 Financial Results

According to the financial statements submitted, the revenue that exceeded the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs.8,851,967 and the expenditure that exceeded the recurrent expenditure corresponding to the previous year was Rs. 24,467,415.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Revenue Arrears

Information on the estimated revenue, billed revenue, collected revenue and revenue arrears submitted in relation to the year under review and for the previous year is mentioned below.

Source of Revenue -----	Year 2019				Year 2018			
	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
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I. Rate and Taxes	11,776	12,644	11,485	10,854	11,021	11,021	5,795	9,695
II. Lease Rent	9,713	8,876	8,781	4,296	8,819	8,819	9,907	4,201
III. License Fees	701	1,061	1,061	-	651	396	867	-
IV. Other income	17,500	209,257	169,790	80,728	18,630	18,630	45,487	41,261
Total	39,690	231,838	191,117	95,878	39,121	38,866	62,056	55,157
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2.2.2 Rate and Taxes

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The arrears to be recovered further by 31 December, out of the arrears in assessment and taxes amounting to Rs. 9,694,651 prevailed even by the beginning of the year under review was Rs. 6,749,715.	Action should be taken to recover the outstanding arrears to be further recovered by the previous year.	I kindly inform you action will be taken in the future to recover the arrears by activating seizure of property programmes and mobile programmes for collecting arrears.

2.2.3 Lease Rent

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A sum of Rs. 369,200 had to be recovered by 31 December in the year under review in relation to 06 asset units prevailing for a longer period of time.	Action should be taken to recover the arrears.	The Revenue Inspectors have been informed in writing regarding the collection of arrears.
(b) An amount of Rs. 972,012 had to be further recovered out of the arrears balance amounting to Rs.1,116,962 prevailed at the time of removing old shops at the market lace.	Action should be taken to recover the arrears balances.	The Revenue Inspectors have been informed in writing regarding the collection of arrears.

2.2.4 Other income

Audit Observation	Recommendation	Comments of the Accounting Officer
Eight model houses that had been rented out since 1986 had been charging a very low monthly rental.	A new assessment should be made and the house rent should be charged accordingly.	The consent at the General meeting of the Sabha had been obtained to re-evaluate the ground rent and it has been referred to the Government Valuation Department for assessment for the year 2020 and I kindly inform you that agreements will be signed accordingly upon the receipt of the new assessment.

03. Operational Review

3.1 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) There had been balances amounting to Rs. 5,130,322, which had exceeded a period of one year out of the balances of accounts prevailed as at 31 December 2019.	Arrears balances should be recovered.	I will take action to recover the accounts receivable amounting to Rs. 5,130,322 which had exceeded the period of 01 year.
(b) There were balances amounting to Rs. 2,076,527, which had exceeded a period of one year in the balances of payable accounts prevailed as at 31 December 2019.	Action should be taken to settle.	I will take steps to settle the liabilities of Rs. 2,076,527, which have exceeded a period of one year.

3.2 Human Resource Management

(a) Employee Vacancies and Excesses in Employees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- There were 02 vacancies at the tertiary level, 11 vacancies at the secondary level and 19 vacancies at the primary level in the approved cadre and 29 casual employees had been recruited for 06 posts.	----- Action should be taken to recruit employees for vacancies and to regularize excesses.	----- Recruitments to those posts have been made subject to the approval of the Commissioner of Local Government.

(b) Employee Loans

Audit Observation	Recommendation	Comments of the Accounting Officer
----- A loan of Rs. 37,032 had to be recovered from one officer after she had vacated the post.	----- Action should be taken to recover the amount.	----- Letters and a final notice have been sent to the officer concerned to make her informed of the loan arrears. She has given a letter stating that she would pay in instalments. However, payments have not yet been made.

3.3 Operational inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The lessee of the shop No. 20 in the Bus Stand, which had been leased out to a monthly lease amount of Rs. 3,000 had sub-leased the shop to another person.	----- Action should be taken systematically.	----- I kindly inform you that future action will be taken in accordance with 2019/02 (01) of the Commissioner of Local Government.

3.4 Asset Management

3.4.1 Taking over of Assets

Audit Observation

Action had not been taken to take over the 12 assets enjoyed by the Sabha.

Recommendation

Action should be taken to take over the assets.

Comments of the Accounting Officer

Certain assets are in the possession of the Pradeshiya Sabha under Section 16 of the Pradeshiya Sabha Act No. 15 of 1987 and I will take action in the future to legally take over the other assets possessed by the Sabha.