

Polonnaruwa Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the time period 20 March 2018 to 31 December 2018 had been presented for audit on 30 May 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 04 July 2019 and 03 July 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Polonnaruwa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Policies

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Advance Account system had not maintained for the Stores items.	Advance Account system should be maintained for the Stores items.	Agreed.
(ii) Audit Fees, Revenue of Court Fines, Revenue of Stamp Duty and Other Expenses had not been accounted on the Accrual Basis.	Should be accounted on the Accrual Basis.	Make it correct in the future.

(b) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Value of 12 items of Buildings owned by the Polonnaruwa Pradeshiya Sabha had not been identified and entered into the accounts.	All the values of buildings owned by the Sabha should be identified and entered into the accounts.	It had been referred to the Department of Government Assessments.

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| (ii) | The Opening Balance of the Account of Arrears Court Fines had been understated by Rs.1,213,623. | The Opening Balances should be correctly entered into the accounts. | Actions would be taken to make it correct. |
| (iii) | The revenue from Court Fines of Rs.1,121,499 for the period of April to July in the year 2018 had not been calculated and accounted. | The accurate Revenue should be accounted for the period. | Actions would be taken to make it correct. |
| (iv) | Polonnaruwa Municipal Council had been received an amount of Rs.5,970,691 as Arrears Court Fines before 19 March 2018 from the Thamankaduwa Pradeshiya Sabha but Polonnaruwa Pradeshiya Sabha had not been identified the amount of Rs.1,351,764 relevant to them and accounted. | Money receivable should be identified and accounted correctly. | Actions would be taken to identify and account. |
| (v) | The Receivable Stamp Duty Income for the year 2018 had not been identified and accounted. | The Receivable Stamp Duty Income should be identified and accounted correctly. | Identified. |
| (vi) | When paying for the Debtors of Rs. 189,927 in the Opening Balance, the item of expenses had been credited .Due to this Credit Balance and the Expenditue of the year had become overstated as at 31 December 2018 to extent of the same value. | The payments should be entered in the Debtors account. | Corrected. |
| (vii) | The amount of advance payable for the Polonnaruwa Municipal Council of Rs.2,512,622 had been accounted as Liabilities. | The liabilities should be identified correctly. | Noticed to make it correct. |
| (viii) | The Receivable income of Rs.30,800 from deploying the Motor Grader Machine had not been accounted. | The receivable income should be accounted. | Agreed. |

(c) **Unreconciled Accounts**

Audit Observations

Recommendations

Comments of the Accounting Officer

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| (i) | The Income according to the Schedule of Gully Bowser Income had been Rs.72,025 for the year under review but the income calculated according to the Service Requisition File had been Rs.155,842. | The Income Schedules and Files should be up to date. | Actions would be made to correct the Documents. |
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- (ii) A Difference of Rs.3,810,848 had been appeared between the balance of the common funds account of Rs.6,183,172 and in the Financial Statements as at 31 December 2018 and the P.S. 10 of Rs. 9,994,020
- The values in the Financial Statements should be equaled to the P.S.10.
- Actions would be taken to settle the differences.

(d) Receivable and payable Accounts.

Audit Observations

Recommendations

Comments of the Accounting Officer

Actions had not been taken to settle ten balances of Rs.1,709,849 Industrial Creditors and Industrial Debtors in the Financial Statements as at 31 December 2018.

Balances of Creditors and Debtors should be settled.

Actions should be taken to make it correct.

(e) Lack of Necessary Documentary to Evidence for Audit

Audit Observations

Recommendations

Comments of the Accounting Officer

Accumulated value of Rs.105,587,938 on 09 items of accounts could not be satisfactorily vouched during the audit due to non rendition of necessary information.

Evidence for confirming the balances of accounts in the financial statements should be furnished.

Actions should be taken to make it correct.

1.4 Non Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>1988 Pradeshiya Sabha (Finance and Administration) Rules</u>			
(i) <u>Rule No.59</u>	A list of Industries within the Sabha territory had not been made after a survey in the beginning of the year.	A list of Industries should be made after a Survey.	Agreed.
(ii) <u>Rule No. 203 and 204</u>	A full Assessment had not been done on the Property of the Sabha.	Full Assessment should be done.	Actions would be taken in the future.
(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
(i) F.R 571 and 572	Actions had not been taken on 26 Industrial Deposit Balances of Rs.280,544 deposited over 02 years.	Actions should be taken according to the Financial Regulations.	Actions would be taken to credit into the income.
(ii) F.R 1646	The running charts and the monthly summaries of all the vehicles had not been forwarded to the Auditor General.	The running charts and the monthly summaries should be forwarded to the Auditor General.	It had been sent of the some vehicles and actions would be taken to sent other s too.
(c) <u>Circulars and Letters</u>			
(i) Treasury Circular No.IAI/2002/02 dated 28 November 2002	A fixed Assets register had not been maintained on Computer Hardware and Software.	A fixed Assets register on Computer Hardware and Software should be maintained.	Actions would be taken to commence in the future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue for the period 20 March 2018 to 31 December 2018 amounted to Rs.2,531,568.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,402,059	957,857	802,790	1,885,648
(ii) Rent	224,776	266,958	266,958	-
(iii) Licence Fees	500,000	184,090	437,855	-
(iv) Other Revenue	1,412,650	-	1,624,569	-
Total	3,539,485	1,408,905	3,132,172	1,885,648

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) <u>Rates and Taxes</u> Rates had not been recovered from 171 units out of 241 units imposed Rates in Ganangolla area.	Actions should be taken to recover the Rates and Tax from developed areas and also the areas that paid tax should be supplied with sufficient infrastructure.	Actions would be taken to recover the arrears income.
(b) <u>Water Charges</u> Rs.197,407 of Water Charges further had been arrears as at 31 December 2018 of the amount of	Actions should be taken to settle the arrears income.	50% of the arrears had been settled.

Arrears Water Charges assigned to the Polonnaruwa Pradeshiya Sabha of Rs.347,132 when distributing the assets of Thamankaduwa Pradeshiya Sabha.

(c) **Stall Rent**

The Stall Rent from 10 Stalls assigned to Polonnaruwa Pradeshiya Sabha located at Sewagama could not be obtained because of the poor condition. Actions should be taken to repair and reuse or discard the Stalls. Primary actions to build a new building had been taken.

(d) **Licence Fees**

The fees had not been charged from 09 telecommunication towers located within territory. Actions should be taken to settle the arrears income. Agreed.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act No.15 of 1987, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) <u>Action Plan</u> An Annual Action Plan had not been prepared under the assigned by-laws for 52 tasks</p>	<p>An Action plan should be prepared for the tasks that expected to implement annually.</p>	<p>There were no any legal provisions to make an annual action plan under by-laws. Have an Action Plan.</p>
<p>(b) <u>Sustainable Development goals</u></p> <p>(i) Even though the Sabha had aware of the Sustainable Development Goals introduced by United Nations they had not correctly identified the targets relevant to the Sabha.</p>	<p>Should identify the targets of the Sabha.</p>	<p>Actions would be taken with necessary consideration to all the matters in the future.</p>

(ii) There had no processes for collecting data for the indices introduced by the Circular No. BD/CBD/4/1/2-2018 dated 31 July 2017 of the Department of National Budget when making the budget.	Should act according to the advices.	Actions would be taken with necessary consideration to all the matters in the future.
(iii) No processes for collecting data for the indices because there had no benchmarks to regulate when the tasks reaching their targets.	Actions should be taken to collect data.	Actions would be taken with necessary consideration to all the matters in the future.
(iv) Sabha had not identified the necessary financial provisions to reach the sustainable development targets in the years 2016, 2017 an 2018.	Actions should be taken to identify and fund.	Actions would be taken with necessary consideration to all the matters in the future.
(v) There was no any process to train the staff of the Sabha when reaching the targets and Sabha had not identified the other government institutions which they should join with when attaining the targets.	Necessary trainings should be carried out.	Actions would be taken with necessary consideration to all the matters in the future.

3.2 Management Inefficiencies

Audit Observations

A difference of Rs.72,515,187 had been appeared in the account of contributing income to the capital outlay between Thamankaduwa Pradeshiya Sabha ledger and the balances divided by the recommendation report.

Recommendations

Actions should be taken to investigate the difference and settle it.

Comments of the Accounting Officer

Actions would be taken to investigate the difference and settle it.

3.3 Human Resources Management

(a) Shortage of Employees

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) 20 vacancies had been remained in the approved positions of the Sabha.	Actions should be taken to fill up the vacancies.	A request to the Commissioner of the local Government had been made to fill up the vacancies.
(ii) Even though there are 20 Motor Vehicles and Machinery owned by the Sabha Only 04 drivers had being working.	Actions should be taken to fill up the vacancies.	A request to the Commissioner of the local Government had been made to fill up the vacancies.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements.

Audit Observation	Recommendation	Comments of the Accounting Officer
Sabha had been forwarded the Financial Statements for the year 2018 on 30 May 2019.	Financial Statements should be forwarded on the exact date.	A delay had been occurred due the delay to receive the reports on distribution of Liabilities as at 30 March.

4.2 Audit and Management Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though the Audit and Management Committee meetings should be hold every 02 months according to the letter No.NCP/CS/01-Audit dated 11 May 2016 of the Chief Minister of the North Central Province, Audit and Management Committee Meeting had not been hold for the year 2018.	Actions should be taken to hold Audit and Management Committee Meetings	Actions would be taken to correct.