

Thamankaduwa Pradeshiya Sabha

Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the time period 01 January 2018 to 19 March 2018 had been presented for audit on 21 January 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Polonnaruwa Municipal Council and the Polonnaruwa Pradeshiya Sabha on 29 May 2019 and 16 May 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 Thamankaduwa Pradeshiya Sabha as at 19 March 2018 and its financial performance for the time period 01 January 2018 to 19 March 2018 then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Value of 19 Land and Building Items owned by the Sabha had not been identified and declared in the financial statements.	Value should be identified and entered into the financial statements.	Values of the Lands and Buildings would be assessed in the future and enter into the documents.
(ii) The Value had not been identified and accounted of a Land auctioned in 2016 and that had been assigned a part of 02 Roods and 9.54 Perches legally by a deed.	Value should be identified and accounted.	Answers had not been provided.
(iii) Rs.51,979 valued Iron Cupboard and six Computer Tables that had been bought respectively on 12 January and 19 February, accounted under both categories of Furniture and Equipments and Machinery and Equipments.	Should be removed from the category Machinery and Equipments.	Actions would be taken to remove it from the Accounts of Machinery and Equipments.

(iv)	Value of the Plastic Baylor Machine had not been accounted, given by the Department of Local Government.	Value should be identified and accounted.	Actions would be taken to take into the documents in the future.
(v)	Rs, 9,939,115 valued three equipments had not been accounted, given by the Department of Local Government in June 2017.	Value should be identified and accounted.	Actions would be taken to take into the documents in the future.
(vi)	The Court Fines billed in the last three months of 2017 of Rs.3,326,150 had not been accounted as the Opening Balance of Court Fines Receivable.	Should be accounted as the Opening Balance of Court Fines Receivable.	Actions would be taken to take into the documents in the future.
(vii)	Employee Bail had been kept by the Sabha of Rs.64,180 had been removed from the without a permission.	Employee Bail should be accounted.	Actions would be taken to make it correct in future when making accounts.
(viii)	The Receivable Grocery and Stall rent had been over accounted by Rs.69,791 as at 19 March 2018.	Should be accounted correctly.	Actions would be taken to make it correct in future when making accounts.
(ix)	The Advance Grocery and Stall rent had been less accounted by Rs.102,332 as at 19 March 2018.	Should be accounted correctly.	Actions would be taken to make it correct in future when making accounts.
(x)	Receivable Water Charges income for the period 01 January 2018 to 19 March 2018 had been less accounted by Rs.39,828.	Should be accounted correctly.	Actions would be taken to account it correctly.
(xi)	Ayurvedic Mobile Clinic Stocks in Hand value of Rs. 48,222 as at 19 March 2018 had not been accounted.	Should be accounted correctly.	Actions would be taken to account the value of Ayurvedic Mobile Clinic Stocks in Hand.
(xii)	The Receivable Court Fines and the Stamp Duty of the Sabha had not been identified for the period January to 19 March 2018.	Receivable Income should be identified and accounted.	Actions would be taken to account it correctly.
(xiii)	Advance Lease Rent for renting the Assets as at 19 March 2018 had been Rs.189,532 but the Value of the Financial Statements had been Rs.3,436,939.	Should be identified the correct balances and accounted.	Actions would be taken to make it correct in future.

(b) Unreconciled Accounts

	Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i)	According to the Assets Schedule represented with the Financial Statements the value of the Newtown Library and its Land had been Rs.1,014,258 as at 19 March 2018 but the value in the Fixed Assets Register had been Rs.820,000 and because of that reason Rs.194,258 difference had been occurred.	The correct value should be entered into the Fixed Assets Register and it should be up to date.	Answers had not been provided.
(ii)	According to the rates Register the balance of Receivable Rates had been Rs.13,220,791 as at 19 March 2018 and it had been Rs.14,368,750 according to the Schedule represented with the Financial Statements, because of the a non-reconciliation of Rs.1,147,959 had been occurred.	The accurate balances should be accounted.	Actions would be taken to make it correct in future.

(c) Lack of Documentary Evidence for Audit

	Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
	Accumulated value of Rs.644,135,459 on twelve 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 would be taken to account with the Evidence in-written in the future.

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.180 to 184</u>	Guarantees had not been kept from 06 Officers who act in charge of Cash and Stores.	Guarantees should be kept from the Officers.	Actions would be taken to recover the guarantees from their salaries.
(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.	An assessment on Assets would be done in the future.
(iii) <u>Rule No. 217 and 218</u>	A register of all the Lands and Buildings owned by the Sabha according to the format P.S 46 had not been maintained.	All the Lads and Buildings should be entered into a P.S.46 Register.	Actions would be taken to make a Format P.S 46 Register in the future.
(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R 517 and 572	Actions had not been taken on the General Deposits amounted Rs.431,330 of 2 to 5 year.	Actions should be taken according to the Financial Regulations.	Actions would be taken to credit into the income.
(c) <u>Circulars and Letters</u>			
Treasury Circular No.IAI/2002/02 dated 28 November 2002	A fixed Assets register had not been maintained on Computer Hardware and Software.		Actions would be taken to make a fixed Assets register on Computer

1.5 Accounts Receivable

Audit Observations

Actions had not been taken to recover the money for the works brought forward from a long time of Rs.2,699,837.

Recommendations

Should be identified and settled.

Comments of the Accounting Officer

The balances would be removed from the accounts with an acceptance in the future because necessary evidence had not been found on the balances to recover.

1.6 Unauthorized Transactions

Audit Observations

Receivable salaries of Rs.1,715,018 had to be reimbursable by the Department of Local Government had been removed from the accounts without a relevant permission from the Commissioner of Local Government.

Recommendations

Should be obtained the permission in-writing.

Comments of the Accounting Officer

Acceptance had been requested from the Department of Local Government and would be shown to the Audit after had been received.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue for the period 01 January 2018 to 19 March 2019 amounted to Rs.1,970,324.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
The Sum value of Rs.75,920,613 of 22 Land and Building items and 09 items of motor vehicles and carts had not been included in the Fixed Assets Register.	Should be included in the Fixed Assets Register.	Actions would be taken to make it correct in future.

3.2 Operating Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Actions had not been taken to recover from the Officers or the Guarantors the Employee Loan balance arrears of Rs.166,265 from 01 to 07 years as at 19 March 2019.	Actions should be taken to recover from the relevant Officers or the Guarantors.	Actions had been taken to recover.
(b) The money amounting to Rs.1,034,995 of three bank accounts had been idle from five years without utilizing efficiently.	Should be utilized.	The permission to close the accounts had been requested from the Commissioner of Local Government.

3.3 Idle/ Underutilized Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
The Magic BIO KUN- TECh-550-A1 machine of Rs.4,830,000 given by the Department of Local Government in 2017 had been remained idle over a year as at 11 January 2019.	Should be utilized in an efficient way.	The machine had been removed from utilization because its expenses were higher than the revenue it generated.

3.4 Transactions of Contentious Nature

Audit Observations	Recommendations	Comments of the Accounting Officer
-----	-----	-----
(a) According to an agreement of Rs.53,107,118 that had been signed between the Chairman and the kes Engineers PVT. Ltd on 02 August 2010 to develop 06 roads inside the Thamankaduwa Pradeshiya Sabha territory, an amount of Rs.6,546,030 paid as an advance should be settled by the verdict of 28 June 2013 but it had not been recovered due to the delay of the Sabha and the Bank. Actions had not been taken against the Bank about this, and also actions had not been taken according to F.R 104 to establish an Internal Control System to inspect and control matters like this.	Actions should be taken against those who are responsible after a proper inspection and should prepare necessary systems to prevent shortcomings like this.	Actions should be taken to answer this in the future.
(b) A Project for the construction of Polonnaruwa Shopping Complex of Rs.16,500,000 had been signed with the Consultation Firm which failed the Project, mentioned above in paragraph (a), on 10 October 2012 and this project also had been declined without giving the consultation services according to the agreement but no actions had been taken against them.	Actions should be taken against them for breaching the agreement.	Actions should be taken to answer this in the future.
(c) Over the estimated Consultation Fees of 30% of the full amount for the first step of Construction of Polonnaruwa Shopping Complex an amount of Rs.6,600,000 of 40% had been given in the years 2012 and 2013 without taking the Plans for Electricity, and Doors and Windows.	Actions should be taken against breaching the law.	Actions should be taken to answer this in the future.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Sabha had not been carried out an Internal Audit for the year under review.

Recommendation

An Internal Audit should be carried out.

Comments of the Accounting Officer

Even though an Internal Auditor had been appointed a report had not been forwarded.