

Polonnaruwa Municipal Council

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 24 April 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 03 July 2019.

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 Municipal Council 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.	Primary actions had been taken to follow from the year 2019.

(b) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(i). An amount of Rs.1,137,916 had not been capitalized during the year under review, which expensed for making Aluminum Partitions for the “Pulathisi Buddhi Mandapaya (E-Library)”.	Money expensed for fix assets should be capitalized.	Actions would be made to make the Assets Debit and the Accumulated Fund Credit.
(ii). Value of Rs.399,841 of 02 Projects which completed and the payments settled during the year under review had been further accounted under Industrial Creditors and industrial Debtors.	Accounts should be corrected.	Actions would be taken to amend it as Debtors’ Account Credit and Accumulated Fund Account Debit.
(iii). The Balance of the Receivable Court Fines at the beginning of the period had been understated by Rs.2,573,110.	Actions should be taken to correctly account.	Actions would be taken to make this adjustment in the Financial Statements for the year 2019.

(iv).	The Receivable Court Fines for the month of August 2018 amounting to Rs.594,817 had not been accounted and the Receivable Court Fines for the Months April to December had not been identified.	Actions should be taken to correctly account.	Actions would be taken to adjust with balances brought forward to year 2019.
(v).	The Payable Court Fines to the Polonnaruwa Pradeshiya Sabha amounting to Rs.1,351,764 of the Court Fines received from Thamankaduwa Pradeshiya Sabha amounting to Rs.5,970,691 had not been accounted under the payable balances .	The payable account balances should be correctly accounted.	Inform that it couldn't be accounted under the Debtors.
(vi).	The amount of Rs.5,227 ,336 expensed for the Elevator of the Tamankaduwa Weekly Fair and Shopping Complex Project had not been capitalized and Rs.3,300,512 of Arrear Court Fines out of Rs.4,043,867 arrears Court Fines received had not been credited .	Should be correctly accounted.	Actions would be taken to make the amount of Rs.5,227,336 debited to Assets Account, Revenue Contribution for Capital Application Account Credited and amount of Rs.3,300,512 Court Fines Receivable Account would be debited and Accumulated Fund Account be Credited.
(vii).	The receivable Stamp Duty had not been realized and accounted for the year 2018.	Should be correctly accounted.	Noticed to report after the details have been received.
(viii).	07 Lands and Buildings owned by the Municipal Council had not been realized and entered in the Financial Statements.	Should be correctly accounted.	Actions would be taken to assess the value of the Lands and account.
(c)	Unreconciled Accounts		
	Audit Observations	Recommendations	Comments of the Accounting Officer
(i).	A difference of Rs.192,200 in Arrears Stall Rent had been occurred according to the balances in the Schedule forwarded with the Financial Statements of Rs.1,527, 075 and Financial Statements of Rs.1334,875 as at 31 st December, 2018	Actions should be taken to correct after comparing the Schedules and the Accounts.	The Documents are being updated correctly, and matters like this will not be arisen in the future.
(ii).	A Difference had been appeared in the Advance paid for the Rates of Rs.285,805 between the balance in the Rates Register of Rs.136,398 and the Schedule forwarded	Actions should be taken to Registers and Schedules.	The Documents are being updated correctly, and matters like this will not be arisen in the future.

with the Financial Statements of
Rs.422,203 as at 31st December, 2018.

(d) Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Accumulated value of Rs.457,284,175 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.	Fix Assets Registers had not been prepared and actions had been taken to commence.

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>Municipal Council Ordinance</u>			
(i) Section 247 (a)	The fees had not been charged from 13 Tourist Board approved Hotels within the Municipal Council Territory for the year under review.	Actions should be taken to recover the fees.	Agreed.
(ii) Section 272	Actions had not been taken to prepare the gazette for the by-laws of the Polonnaruwa Municipal Council which had been obtained from Anuradhapura Municipal Council.	Actions should be taken to make the gazette.	The necessary actions would be taken to make the gazette in the future.
(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
(i) The Financial Regulations 371(5) amended by the Public Finance Circular No.03/2015 on 14 July	Even though the advances should be settled within 10 days after completing the relevant tasks the advances had been settled late for 01	Actions should be taken to settle the Advances without delays.	Actions would be taken to correct and inform all the Heads of the Departments.

	2015	to 6 ½ months on 11 instances.		
(ii)	F.R570(b)	Actions had not been taken to add the Industrial Deposits of Rs.319,292 unclaimed for 5 to 8 years after depositing.	Actions should be taken according to Financial Regulations.	An amount of Rs.19,242 would be given back to the relevant institution under the recommendation of the Municipal Engineer, and the cash in hand could not be recommended would be used to build up the shortcomings or added to the revenue.
(iii)	F.R 571 and 572	Actions had not be taken on the General Deposits valued to Rs.159,878 over 02 to 06 after depositing.	Actions should be taken under the Financial Regulations.	Agreed.
(iv)	F.R 756	A Board of Survey had not been carried out for the year under review as at 24 May 2019.	Actions should be taken under the Financial Regulations for Board of Surveys.	Primary Actions had been taken to appoint a Board of Survey and Start the Survey.
(c)	<u>Part II of the Standard By-laws mentioned by the Gazette No.541/17 dated 20 January 1989</u>			
	Paragraph 2(3)(1)	The Licence for the Promotional Bulletin Boards had been issued before the money paid.	Actions should be taken to charge the fees and issue the Licence.	Agreed.
(d)	<u>Environmental Act No.47 of 1980</u>			
	Section 23(b)	Actions had not been taken to issue new Environmental Licence for 36 Industries with Licence expired.	Actions should be taken to identify the expired Environmental Licenc and make them renew.	Agreed, Accurate actions are being taken.

(e) The Extraordinary
Gazette No. 2086/15 of
Democratic Socialist
Republic of Sri Lanka
dated 29 August 2018
 Order No 1.1

The allocated limit had been exceed and expensed Rs.30,959 for 239 Litres in the months of October and December for the Jeep used by the Mayor.

Actions should be taken according to the Gazette.

Agreed.

Order No.4.ii

The Home Telephone Monthly Allowance of Rs.2500 for the Deputy Mayor, had been paid over Rs.2,500 per month from August to December Rs.12,500.

Actions should be taken according to the Gazette.

Agreed.

1.5 Accounts Receivable

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Actions had not been taken to settle an amount of Rs.2,699,839 for the Works to be Charged declared in the Financial Statements as Receivables.	Actions should be taken to realize and settle.	Actions would be taken recover in the future.
(b) Actions had not been taken to recover the arrears amount of Rs.45,000 from leasing the Polonnaruwa Weekly Fair in the year 2016.	Even though this balance had been assigned to the Pollonnaruwa Municipal Council by the Assets Distribution Recommendation actions should be taken to recover the arrears amount	There are no Legal Provisions for to recover that amount as the agreement had been signed with the Thamankaduwa Pradeshiya Sabha in the year 2016.

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 5,017,287.

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	13,314,393	7,703,568	11,748,287	13,040,325
(ii) Rent	27,303,475	5,106,092	15,082,621	1,517,694
(iii) Licence Fees	2,657,500	2,657,500	1,479,685	-
(iv) Other Revenue	18,836,978	2,313,371	6,116,112	32,305,651
Total	62,112,346	17,780,531	34,426,705	46,863,670

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though the Council had been estimated a revenue of Rs.62,112,346 billed an amount of Rs.17,780,531. Revenue that had been recovered was Rs.34,426,705.	Actions should be taken to accomplish the Revenue Estimates.	A Formal Method had been prepared for this year.

2.2.3 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
(a). A reasonable concern had not been given to recover the arrears in Rates of Rs.12,746,949 as at 31 December 2018 according to the Rates Register.	Actions should be taken to recover the arrears.	Agreed.
(b). A reasonable concern had not been given to collect the arrears tax recoverable in Garbage Tax of Rs.2,397,000 and the Entertainment Tax of Rs.293,375.	Actions should be taken to recover the arrears.	Agreed.

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|------|--|---|---------|
| (c). | Garbage Tax had been recovered only from 99 Institution for the year under review even though there had been lot of Institution that should collect Garbage Tax. | Actions should be taken to recover the Garbage tax from all the institutions. | Agreed. |
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2.2.4 Rent

----- Audit Observations -----	----- Recommendations -----	----- Comments of the Accounting Officer -----
(a). A Register had not been maintained to enter the details of the Vehicle Parking Charges from the Vehicles parked in front of the Hospital.	The daily collected revenue should be recovered in a formal manner.	Agreed.
(b). Receipt Books to collect money from the Parking Lot in front of the Polonnaruwa Hospital had not been issued from 25 October 2018.	A bill should be issued when collecting money.	Agreed.
(c). The stalls had been by-rented by the agreement holders and earned an income higher than the assessed amount of money from 208 stalls owned by the Municipal Council but actions had not been taken to update the Agreements with the parties.	The agreements should be updated timely.	Agreed.
(d). Agreements had not been made as at 28 March 2019 for the Stall No.23 of the Hospital Junction New Shopping Complex, Ground Floor Cafeteria and the Upper Floor Cafeteria even though it had been leased out on 01 August 2018.	Formal agreements should be made with the lessees.	Agreed.
(e). A reasonable concern had not been given to recover the amount of Stall rent in Arrears of Rs.1,334,875 and the arrears of revenue from leasing the assets of Rs.41,249 recoverable to the Polonnaruwa Municipal Council as at 31 December 2018.	Actions should be taken to recover the amount.	Agreed.

2.2.5 Other Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
The amount of recoverable revenue had been Rs.3,391,750 from 21 Large Sized Promotional Bulletin Boards according to a Survey within the area during the year under review.	Actions should be taken to recover the income.	Agreed.

2.2.6 Court Fines and Stamp Duty.

Audit Observations	Recommendations	Comments of the Accounting Officer
Receivable Court Fines as at 31 December 2018 of Rs.1,128,161 and Receivable Stamp Duty of Rs.28,770,490 from the Chief Secretary and the other officers of the Council.	Action should be taken to recover the receivable 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 4 of the Municipal Council Ordinance, 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
(a) Action Plan An Annual Action Plan had not been prepared under the assigned by-laws for the tasks of the Council.	An Action plan should be prepared annually.	Agreed.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) An amount money of Rs.956,082 had been hold over 02 to 04 years	The provisions received should be deployed to	Agreed.

- in the General Deposits without deployment received for miscellaneous projects.
- (b) The Staff employed in the Municipal Council as at 31 December 2018 had been 217 but only 38 had been given a written duty lists.
- the relevant projects.
- The entire staff member should receive a written duty list.
- Agreed

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <u>Employee Vacancies and Excess</u>		
(i) Appointment Letters had not been issued as at the Audit date for 93 of the Staff that had absorbed from Thamankaduwa Pradeshiya Sabha to the Cadre when establishing the Polonnaruwa Municipal Council in 19 March 2018.	Actions should be taken to issue Appointment Letters.	Agreed.
(ii) 26 Vacancies in the approved Cadre and 41 excess in the not approved Cadre had been appeared in the Municipal Council.	A reasonable Cadre should be approved.	Agreed.
(b) <u>Employee Guaranty</u>		
(i) Five out of all the Officers who should keep guaranties, had not been kept guaranties according to the Administrative Circular No.4/1999 of NCP/CS/EC/3/17 dated 03 November 1999 of the Chief Secretary and Rule No.880 and No.881 of the Financial Regulations .	Actions should be taken to recover the guaranties from the officers.	Agreed.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) When Collecting Newtown Weekly Fair Revenue of Rs.118,075 at 18 instances 02 to 17 days Delays had been occurred to hand over the income collected from the field.	Actions should be taken to receive the money after on the first working day after recovering them.	Agreed.

3.5 Assets Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Idle Assets A Magic BIO KUM TECH-500-A1 Machine, A Burner, A Crusher, valued f Rs.4,830,000 had been remained idle and id could not be derive an assessment for it time being idled.	Assets should be fully utilized.	Discarded from using them.

3.6 Uneconomic Transactions

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Procurement Process had not been used for selecting a person to supply interlocking stones for the Project of laying Interlocking Stones under the Pibidemu Polonnaruwa Development Project according to the Letter No.DPSD010/Local Authority/2018 of 24 July 2018 of the Polonnaruwa District Secretary therefore and over expense of Rs.1,843,752 had been spent for 307,292 Interlocking Stones supplied.	Actions should be taken according to the letter and to receive the optimum advance to Government.	The Letter of the Polonnaruwa District Secretary on 24 July 2018 had not been received.

3.7 Irregular Transitions

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) A Transport Allowance had been granted for the Members of the Municipal Council Rs.176,000 at Rs.4,000 per month each for the year under review without any advice according to the Extra Ordinary Gazette of Democratic Socialist Republic of Sri Lanka No.2086/15 on 29 August 2018.	Actions should not be taken to grant any allowance without a formal Acceptance.	Actions would be taken to surcharge the Transport Allowance Granted.
(ii) Even though any advice had not been given according to the above Circular to grant any Fuel Allowance for the Duty Transportation of the Deputy Mayor s	Actions should not be taken to grant any allowance without a formal Acceptance.	Agreed. Actions would be taken to surcharge the Transport Allowance

Vehicle, Rs.112,680 for 200 Litres of Diesel had been granted for his Private Vehicle.

Granted.

3.8 Procurement

Audit Observation

A Procurement Plan had not been prepared for the year 2018.

Recommendation

A Procurement plan should be prepared.

Comments of the Accounting Officer

Actions would be taken to regulate.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Council had not been carried out a sufficient Internal Audit for the period in the year 2018 and actions had not been taken to forward a copy of the reports of the Internal Audit under F.R 134(3).

Recommendation

Action should be taken to carry out an Internal Audit and report to the Audit.

Comments of the Accounting Officer

Actions would be taken report to the Audit.

4.2 Audit and Management Committee

Audit Observation

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.

Recommendation

Actions should be taken to hold Audit and Management Committee Meetings timely.

Comments of the Accounting Officer

Actions would be taken to hold Audit and Management Committee Meetings timely.