

**Polonnaruwa Pradeshiya Sabha  
Polonnaruwa District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The Financial Statements for the year 2019 had been presented for the audit on 28 February 2020 and the Summary Report of the Auditor General on the financial statement and Detailed Management report had been forwarded to the Chairman on 18 June 2020 and 19 June 2020 respectively.

**1.2 Qualified Opinion**  
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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 Polonnaruwa Pradeshiya Sabha as at 31<sup>st</sup> December 2019 and its financial performance for the year then ended in according with Generally Accepted Accountancy Principles.

**1.3 Basis for the Qualified Opinion**  
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**(a) Accounting Policies**  
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Audit Observation  
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Recommendation  
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Comments of the  
Accounting Officer  
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Audit fees, revenue of court fines, revenue of stamp duty had not been accounted on the accrual basis.

Income and expenditure should be accounted on the accrual basis.

Since estimated audit fees were not received, it was unable to recognize on accrual basis. Income and expenditure has been accounted on accrual basis.

**(b) Accounting Deficiencies**  
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Audit Observation  
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Recommendation  
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Comments of the  
Accounting Officer  
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(i) Value of 04 items of land and cemeteries had not been recognized and accounted.

Land and cemeteries should be recognized and accounted.

Assets have been identified by the board of survey of 31<sup>st</sup> December 2019. It will be accounted in the future.

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|-------|---|---|---|
| (ii)  | The receivable stamp duty income relevant from January to December 2019 and receivable court fine income relevant to December 2019 had not been recognized and accounted. | Information should be taken from relevant authorities before the preparation of financial statements. | It was unable to account since not receiving the schedules.   |
| (iii) | A value of Rs.140,000 deposits belongs to 07 depositors had been missed from deposit balance of financial statements.   | It should be compared and corrected.  | It will be corrected at the time of preparation of financial statements of year 2020.                     |
| (iv)  | The sand project income relevant to the month of December in the year under review had not been accounted.  | Receivable income should be accounted.  | Replies were not received although inquiries are done from the institution. Actions are taken to correct. |
| (v)   | A value of Rs.49,940 receivable from 41 water customers as at 31 <sup>st</sup> December in the Year under review had not been revealed in the financial statements.       | Receivable water charges should be accounted.   | True information will be submitted in future.   |

**(c) Unreconciled Accounts**

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----	
(i)	The receivable court fine income according to the court fine income register as at 31 <sup>st</sup> December 2019 was Rs.14,684,087 but according to the financial statement that balance was Rs.16,454,899 and hence there was a difference of Rs.1,770,812.	Should be compared and corrected.	Reasons have been identified. It will be corrected in future.
(ii)	According to the statement of financial position, Industrial debtors balance was Rs.19,713,995. But according to the schedule presented with financial statement it was Rs.21,657,410, hence there was a difference of Rs.1,943,415.	Balances should be compared and corrected.	Difference has been identified. It will be corrected in the year 2020.
(iii)	A Difference of Rs.2,096,289 had been appeared in creditors between statement of financial position of Rs.21,590,629 and schedule presented with financial	Balances should be compared and corrected.	Difference has been identified. Corrections will be done in year 2020.

statement of Rs.23,590,629

**(d) Lack of Documentary Evidences necessary for audit**

**(i) Non presenting of information**

Audit Observation	Recommendation	Comments of the Accounting Officer
Accumulated value of Rs.46,771,802 of 06 items of accounts could not be satisfactorily vouched during the audit due to non- rendition of necessary information.	Evidences for confirming the balances of accounts in the financial statements should be furnished.	It will be prepared and presented in the future. Opening arrears of court fines and general accounts are the balances which received when Thamankaduwa Praseshiya Sabha was wound up.

**1.4 Non Compliances**

Non-Compliances with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non- Compliances	Recommendation	Comments of the Accounting Officer
(a) National Audit Act No 19 of 2018				
Clause 16(2)		Performance report had not been presented with annual financial statements.	Performance report should be prepared.	Report will be prepared and presented.
(b) Pradeshiya Sabha rules (Financial and administrative) in 1988				
(i) Rule 59		Lists about Industries	should be	A survey had been done

		industries had not been prepared by doing a survey.	identified by doing a survey.	for the year 2020.
(ii)	Rule 203	Full survey had not been done about the properties of the sabha.	Full survey should be done.	Full survey had been done. Report will be presented in future.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----			
(i)	Financial regulation 371(5) revised by the public finance circular no 3/2015 dated 14 July 2015	Rs 100,000 advances taken at 7 occasions had been settled with a delay from 16 days to 187 days although it should be settled within 10 days after completing the activity.	Advances should be settled as per circulars without delay.	Accepted. Action will be taken to correct in the future.
(d)	Other circulars ----- Assets management circulars no 02/2017 dated 27 December 2017 of the ministry of finance and mass medias	Actions had not been taken to transfer the ownership of compactor given to Polonnaruwa Pradeshiya Sabha	Actions should be taken to transfer the ownership to the sabha.	Actions will be taken to transfer within this month.

## 1.5 Receivable and Payable Accounts

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Actions had not been taken to recover of Rs.19,713,996 of industrial debtors appeared in the financial statement as at 31 <sup>st</sup> December 2019.	Actions should be taken to recover.	So far, industrial debtors of Rs.12,487,033 has been recovered.
(b)	Actions had not been taken to recover of Rs.23,590,629 of industrial creditors appeared in the financial statement as at 31 <sup>st</sup> December 2019.	Actions should be taken to settle.	Industrial creditor of Rs.11,460,160 has been paid.

## 2 Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31<sup>st</sup> December 2019 amounted to Rs.11,442,547.

### 2.2 Revenue Administration

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

Information relating to the Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue for the year under review appear below.

Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 <sup>st</sup> December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Rates and Taxes	1,516,030	2,850,403	1,771,193	1,079,210
Rent	1,724,608	2,472,716	2,472,716	-
License fees	578,500	440,265	440,265	-
Other income	23,879,100	40,531,819	10,582,777	29,949,042
<b>Total</b>	<b>27,698,238</b>	<b>46,295,203</b>	<b>15,266,951</b>	<b>31,028,252</b>

### 2.2.2 Rates and Taxes

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	<b>Rates</b> ----- A Rs.560, 042 of rates had been collected, Which is equal to 38 percentage from Rs.1, 466,110 of rates which should be collected within the year under review.	Rates collection process should be accelerated.	Actions will be taken to collect rates by executing mobile services further.
(b)	A Rs. 317,739 of rates from 49 persons had been in arrears more than 05 years without taking actions to recover.	Actions should be taken to recover arrears of rates.	Actions have been taken to recover arrears of rates.
(c)	<b>Garbage tax Income</b> ----- Garbage tax income which could be collected by the sabha has been lost due to the unavailability of survey regarding the entities from which tax can be collected, although it has been gazette to charge garbage tax in the year under review.	Fees should be charged after identifying the firms from which garbage tax should be collected.	Register has been prepared for the current year regarding firms from which garbage tax can be collected.
(d)	<b>Water charge income</b> ----- Total arrears of income from year 2016 to 31 <sup>st</sup> October 2018 was Rs.48,433.	Actions should be taken to recover income.	Rs.35,882 has been recovered out of Rs.84,315 of arrears water charges by 27.05.2020.

### 2.2.3 Rent

#### (a) Machines Rent Income

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	Rs.297,025 had not been received for renting Motor Grader and backhoe Loader.	Actions should be taken to recover arrears income.	Rs.246,025 has been received in year 2020. Reminders has been sent for taking the balances.

### 2.2.4 License Fees

	Audit Observation	Recommendation	Comments of the Accounting Officer
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<b>(a)</b>	<b>Advertisement Fees</b>		
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	Although a lot of banners were seen in the sabha territory area, sabha has been unable to identify them and earn income.	Income should be collected by doing a survey.	Actions will be taken to recover income by doing a survey in future.
<b>2.2.5</b>	<b>Court Fines and Stamp Duty</b>		
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	Audit Observation	Recommendation	Comments of the Accounting Officer
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	A Rs.16,454,899 of court fines and Rs.13,494,143 of stamp duty were due from Chief Secretary and other authorities of the provincial council as at 31 <sup>st</sup> December 2019.	Actions should be taken to take money from relevant responsible organizations.	Cash has been requested from provincial governor.
<b>3</b>	<b>Operating Review</b>		
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<b>3.1</b>	<b>Performance</b>		
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	The following matters were revealed with regards 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 utility services and public roads, healthy environment of the public, amenities and welfare etc.		
<b>(a)</b>	<b>Action Plan</b>		
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	Audit Observation	Recommendation	Comments of the Accounting Officer
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	Action plan had not been prepared for the year under review as per circulars.	Action plan should be prepared.	Action plan of 2020 has been prepared correctly.
<b>(b)</b>	<b>Sustainable Development Goals</b>		
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<b>(i)</b>	Although Sabha had been aware about Sustainable Development Goals introduced by the United Nations organization, goals relating to Sabha had not been identified correctly. Out of that goals and there was no methodology for collecting data to	Identifying the goals relevant to Sabha, making a methodology for collecting data, financial allocation, identifying connected	Agreed.

measure goals and targets. Financial Provisions for achieving the sustainable development targets in year 2017, 2018, 2019 had not been identified. Methodology for training the personnel of the entity for achieving targets and other state institutions which should be get connected to achieve targets had not been identified. entities should be done.

### 3.2 Management Inefficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Although the computer and accessories belonged to Polonnaruwa Pradeshiya Sabha at the division of assets of Thamankaduwa Pradeshiya Sabha are used by Polonnaruwa Municipal Council, but action had not been taken to receive or settle them.	Actions had not been taken to take equipment back or to settle.	Although it was informed to Polonnaruwa municipal council in written, action had not been taken to give back.

### 3.3 Human Resources Management

#### 3.3.1 Employee vacancies and Excesses

(a)	Secretary position has been vacant from July 2017 and acting officer was covering the duty.	Actions should be taken to fill necessary vacancies.	Commissioner of local government has been informed in few occasions.
(b)	32 vacancies of primary level and secondary level were existed.	Actions should be taken to fill necessary vacancies.	Commissioner of local government has been informed in few occasions.

#### 3.3.2 Employee Loans

(a)	Rs.64,585 loan balance from the 03 officers transferred from 2013 to 2017, Rs.7,800 from a person died in 2016 and Rs.3,600 from a person retired in 2019 had not been received.	Actions should be taken to recover loans.	Transferred officers have been informed. Actions has been taken to charge from retired officers. Advices have been requested from commissioner of Local Government regarding
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(b)	Action had not been taken to recover special advances Rs,7,680 due from two interdicted officers in 2015, Rs.17,500 of 06 employees who left the job.	Action should be taken to recover loans.	died person. A letter was sent to Commissioner of Local Government asking advices since there was no evidence in the record room.
<b>3.4</b>	<b>Assets Management</b> -----		
(a)	<b>Idle and underutilized Assets</b> -----		
	A Locker and tractor were in idle from 03 to 10 years.	Action should be taken to utilize or dispose idle assets.	Action had been taken to get technical evaluation committee recommendation for the tender of items identified by the board of survey as at 31.12.2019
<b>4</b>	<b>Accountability and Good Governance</b> -----		
<b>4.1</b>	<b>Internal Audit</b> -----		
	Internal Audit had not been done for the year under review.	Internal audit should be done.	Accepted. It will be corrected in future.
<b>4.2</b>	<b>Audit and Management Committee</b> -----		
	Only 03 audit and management committee meetings had been held.	Audit and Management committee should be held as per circulars.	Accepted.