

Lankapura Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 08 May 2015 while Financial Statements relating to the preceding year had been submitted on 26 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 30 July 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Lankapura Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended in accordance with Generally accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Value of Work Debtors and Creditors outstanding to be settled at the end of the year under review had not been identified and disclosed in the financial statements.
- (b) Arrears on account of leasing out the right to sell amounting to Rs.456,134 which had no legal authority to recover by the Sabha had been accounted as Revenue Receivable. Due to that, revenue for the year and the Revenue in Arrears had been overstated to that extent.
- (c) Arrears of Water charges Revenue amounting to Rs.94,175 as at the end of the year under review had been omitted in the financial statements.

- (d) Payments of loan installments of the Local Loans and Development Fund had been accounted under Transport, Communication, Utilities and Other Services as a recurrent expenditure. Due to that recurrent expenditure had been overstated in a sum of Rs.122,117 while capital expenditure had been understated to that extent.
- (e) Information relating to value of the Forton Drum Track Vehicle provided by the Ministry of Local Government, Provincial Councils and Home Affairs during the year under review had not been furnished. Due to that, value of the relevant asset had been omitted in the financial statements.
- (f) Although the Contribution from Revenue to Capital Outlay Account and value of Fixed Assets should be equal according to the Pradeshiya Sabha Accounting System, a difference of Rs.11,435,737 had been arisen between the two accounts due to erroneous accounting adjustments.
- (g) The value of Pulasthigama Water Project amounting to Rs.6,795,594 constructed under Deyata Kirula Development Project and handed over to the Sabha had not been accounted as an asset.
- (h) Although the value of trade sheds constructed under the Project for Development of Pulasthigama Weekly Fair was Rs.7,339,217 according to the files, value of that had been shown as Rs.5,920,271 in the financial statements. Due to that, the value of the relevant building had been understated in a sum of Rs.1,418,946.
- (i) Expenditure amounting to Rs.1,995,050 incurred for laying concrete blocks on the Pulasthigama weekly Fairground had not been accounted under Fixed Assets.

- (j) When accounting for the Creditors relevant to the year under review, value of Creditors settled during the year relating to the preceding year too had been taken. Due to that, expenditure for the year under review and value of Creditors had been over stated in a sum of Rs.276,281.

- (k) While the balance of the Staff Loans was Rs.49,392 according to the financial statements presented, according to the schedules it had been Rs.114,201 indicating non-reconciliation in a sum of Rs.64,809.

1.3.2 Accounts Receivable

The value of Accounts Receivable as at the end of the year under review was Rs.6,612,032. Out of that, a sum of Rs.4,624,637 had not been identified. The balance of Rs.117,194 shown under Recoverable Utility Services over a period of 9 years and arrears of Meat Stalls Rent amounting to 1,490,780 since the year 2003 were being brought forward in the accounts.

13.3 Lack of Evidence for Audit

Transactions valued at Rs. 39,579,880 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

1.2.1 Non-compliances

Following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to laws, rules, regulations and management decisions	Non-compliance
(a) Pradeshiya Sabha Act No Act No. 15 of 1987	
(i) Section 152 (2)	Although Pradeshiya Sabha may levy on every person who, within the Pradeshiya Sabha area, practices any profession, a tax of an amount not exceeding an amount specified by the Minister by regulation as the maximum amount of tax which the Pradeshiya Sabha may so impose by-laws and levy, action had not been taken accordingly.
(i) Section 134	Although the Thalpotha Town in the area of authority of the Lankapura Pradeshiya Sabha had been notified as a developed area according to the Gazette Notification No.1782/29 dated 31 October 2012, action had not been taken to recover Rates.
(b) Extra Ordinary Gazette Notification No. 1528/21 dated 19 December 2007 of the North Central Province Chief Minister	Although the limit of monthly fuel expenditure to be incurred by a Chairman for official travel should not exceed 400 liters, 2132 liters of diesel valued at Rs.254,496 had been utilized by the Chairman exceeding that fuel limit during the year under review.

(c) Local Government Reform
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- (i) 3.1 Action had not been taken to obtain title deeds relating to the Government Lands and Buildings belong to the Sabha up to now.
- (ii) 6 and 3.7 Annual Survey had not been conducted with regard to all assets.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs. 4,084,286 as compared with the corresponding excess of recurrent expenditure over revenue for the preceding year amounted to Rs. 145,832.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review is shown below.

Source of Revenue	Estimated Revenue	Actual	Cumulative Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	150	13	137
Lease Rent	16,422	2,702	13,720
Licence Fees	1,239	777	462
Other Revenue	37,588	17,350	20,237

2.2.2 Court Fines and Stamp Fees

Court Fines amounting to Rs.1,686,650 and Stamp Fees amounting to Rs.234,850 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Contract Administration

The Pradeshiya Sabha had entered into contract agreements for following Projects under the Pura Neguma Project during the year under review.

Project	Date of signing the Contract	Date to be Completed and handed over	Project Value
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			Rs.
Construction of Ratanasara School Avenue	03.09.2014	03.01.2015	9,349,610
Construction of Relax Centre at Weekly Fair Bus Stand	17.09.2014	19.06.2015	30,871,465

While these Projects had not been completed and handed over up to July 2015, the Construction of Relax Centre Project had not been commenced even up to July 2015

3.2 Budgetary Control

There were variations in a range from 36 per cent to 91 per cent between budgeted revenue and the actual revenue and also variations in a range from 43 per cent to 90 per cent between budgeted expenditure and the actual expenditure of the Sabha. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

3.3 Solid Waste Management

- (a) A proper waste management scheme was not in operation in the area of authority of the Sabha during the year under review.

- (b) An advance of Rs. 1,099,511 had been received to the Sabha during November 2012 for commencement of a Joint Solid Waste Management Project in combination with the Pilisaru Project of the Central Environment Authority. The Project Work had not been commenced even up to July 2015 due to objections of the community arisen with regard to the land provided for the Project by the Divisional Secretary.

3.4 Internal Audit

While an internal audit had not been carried out in the Sabah during the year under review and the previous years, an adequate audit had not been carried out by the Local Government Department too in the Sabha.

4. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Control
- (c) Budgetary Control
- (d) Assets Management