

Lankapura Pradesiya Sabha

Polonnaruwa District

01. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year under review had been presented to audit on 31 March 2017 and the Financial Statements for the preceding year had been presented on 05 April 2016. The report of the Auditor General for the year under review was issued to the secretary of Sabha on 28 June 2017.

1.2 Qualified Opinion

In my opinion, except for the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Lankapura Pradeshiya Sabha as at 31 December 2016, its financial performance and cash flows 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 are observed.

- (a) There was a difference of Rs.6, 524,600 between the balance of Fixed Assets Account and the balance of Contribution from Revenue to Capital Outlay Account.
- (b) The final stock had been accounted without reducing the stock valued to Rs.422,428 which had been used in the year under review.
- (c) Receivable court fines Rs.192,779 on 01 January of the year under review had been omitted in the Financial Statements.
- (d) Furniture & equipment valued to Rs.58,089, purchased in the year under review had been omitted in the financial statements.
- (e) Receivable Rs.1,822,078 and payable Rs.200,412 for the implemented projects in the year under review had not been accounted under debtors and creditors.

1.3.2 Unreconciled Control Accounts

Following observations are made.

- (a) Differences aggregating to Rs.1,141,834 were observed between the amounts shown in two accounts and subsidiary records presented with the Financial Statements year under review.
- (b) Differences aggregating to Rs. 301,042 were observed between the amounts shown in the balance of 03 ledger accounts and Financial Statements.
- (c) A difference of Rs.54,144,168 was observed in lands and buildings between fixed asset register value of Rs.12,585,775 and Financial Statement value of Rs.66,729,943.
- (d) According to the Financial Statements, the value of Motor Vehicles & Carts was Rs.63,742,034 while the value of Motor vehicle and carts in register of motor vehicle was Rs.62,015,546 resulting in a difference of Rs.1,726,488.

- (e) According to the employees loan register, the value of loan balance on 31 December of the year under review, was Rs.1,204,465 while the balance according to the Financial Statements was Rs.1,344,354 resulting in a difference of Rs.139,889.

1.3.3 Lack of Evidence for Audit

Assets valued to Rs.157,097,605 and liabilities valued to Rs.6,124,731 could not be satisfactorily vouched in audit due to non- submission of revenue registers, survey reports and subsidiary records.

1.3.4 Non – compliances with Laws, Rules and Regulations

Following non - compliance to Laws, Rules and regulations are observed.

Reference to Laws Rules and Regulations etc.	Non compliance
(a) Pradeshiya Sabha Act 1987 ----- 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 and permission from the relevant minister had been taken on 29 August 2014, actions had not been taken to recover Rates.
(b) Pradeshiya Sabha (financial and administrative) Rules 1988 ----- Rule No.17	Counterfoil Register (PS-21) had not been maintained and notes about returning of the used books had not been kept.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- F.R 110	Record of losses had not been maintained to keep the notes on recorded or unrecorded losses.
(d) Circulars and circular letters -----	
(i) Treasury circular No. IAI/2002/02 dated 28 November 2002	Maintenance of a separate Fixed Asset Register of computers, accessories and software had not been done
(ii) Circular letter No. NCP/LG/AC/4/1/2 of Local Government Commissioner	206 liters of fuel valued to Rs.192,470 had been used over the permitted level during the year under review.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 18,743,422 as compared with the excess of revenue over expenditure amounting to Rs.4,960,090 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Income, Actual Income and Arrears income

The estimated income, Actual Income and Arrears income for the year under review are given below.

Item of Revenue	Income Estimated for the year 2016	Actual Income	Accumulated Arrears As at 31 December 2016
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	Rs.	Rs.	Rs.
(i) Rent	1,171,200	637,700	353,559
(ii) License Fees	1,220,150	436,210	-
(iii) Other Revenue	11,432,831	17,752,655	15,443,125

2.2.2 Other Revenue

The actual income collected in the year had been Rs. 876,115 which was only 72 percent of the due income of Rs. 1,205,451 totaled by the receivable at the beginning of the year Rs. 94,175 and billed Rs. 1,111,276 in the year.

2.2.3 Court Fines

Actions had not been taken to get remitted the receivable court fines on 31 December 2016, Rs. 5,832,366 collected by 02 courts and had been sent to Chief Secretary of North Central Province.

2.2.4 Stamp Fees

Actions had not been taken to get remitted the receivable Stamp Fees on 31 December 2016 Rs.2,143,375 which had been collected and sent to the Chief Secretary of North Central Province by the Registrar General.

3. Operating Review

3.1 Management Inefficiencies

Actions had not been taken even in the year 2016 to recover arrears income of Rs.2, 063,325 belongs to 04 account items since 2-13 years' time according to the given subsidiary records for audit.

3.2 Operating Inefficiencies

Following observations are made .

- (a) Actions had not been taken to get the ownership of 02 vehicles used by the Sabha.
- (b) Income of Rs.63,205 had been lost due to free supply of JCB machine for a project which was not related to Sabha.
- (c) Actions had not been taken to repair and rent the stalls at BOP 316, II Step ,stall No.1,2 and 3 which had been closed since year 2010 for repairs.
- (d) Three casual employees had been recruited as driver, health labor and an Ayurveda labor which was not included in approved carder, while there had been 10 vacancies in Secondary Level employees and 02 vacancies and 10 excess in Primary level employees.

3.3 Idle and Under Utilized Assets

- (a) A deep freezer had been kept idle still on 08 May 2017 which had been brought to Pradeshiya Sabha store on 04 March 2015, due to stoppage of operation of Milk Center in Po/ Vijitha Maha Vidyalaya, Pulasthigama.
- (b) Three asset items valued to Rs.124,921 had been idle for 03 years time.

3.4 Solid Waste Management

Although the construction of Solid Waste Management Center had been completed by spending Rs.5,748,307 in the year under review which started construction in 2014, the operation of waste re-cycling had not been commenced even on 08 May 2017. Daily collection of waste amounted to 02 MT had been piled and dumped underground in a land about 05 acr, situated in Paranagama, Sungawila without sorting by three laborers of Sabha. It had been observed that the need of an accelerated programme for waste management due to the place which had been used for discharging waste had been an animal roaming area including elephants and it may cause environmental problems.

4. Systems and Controls

Special attention is need in respect of the following areas of control.

- (a) Fixed asset control
- (b) Employee administration
- (c) Income administration
- (d) Internal Auditing
- (e) Debtors/Creditors control
- (f) Vehicle control