

Lankapura Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for 2017 had been presented to audit on 28th March 2018 and the report of the Auditor General was issued to the chairman on 19th September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of 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 2017 and 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 policies

Advance Accounting system had not been followed for the stores items.

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Sum of 3 accounting subjects valued to Rs. 156,703 had not been accounted under accrual expenses.
- (b) Two accounting balances totaled to Rs. 850,081 on industrial creditors had been omitted in the financial statements.
- (c) A sum of Rs. 424,058 which had to be paid on 31st December 2017 for 3 projects conducted by the Sabha had not been accounted under creditors.
- (d) Six items in the electricity stores ledger valued to Rs. 47,770 had been omitted from the accounts.
- (e) A value of Rs. 48,645 of a panel board which was brought for Pulasthigama pump house had not been capitalized.
- (f) Although the stock valued to Rs. 55,129 which had been in the stock in hand of the rice flour product bakery on 2nd June 2017 handed over to the welfare society, that amount had not been removed from the accounts.
- (g) The sum of Rs. 111,456 which was paid for the supply of electricity to Pilisaru project belong to Sabha had not been capitalized.
- (h) Even though according to the employee advance payment register the employee loan balance was Rs. 1,937,572, in the financial statements it had been shown as 1,815,944, therefore the employee debit balance had been less accounted in Rs. 121,628

- (i) Although the shortage of library books valued to Rs. 103,995 which revealed in the verification of 2016 had been written off from the assets account but it had not been written off from the revenue contribution to capital outlay account.
- (j) Although the shortage of library books valued to Rs.92,975 which was written off in the prior year verification should be debited to revenue contribution to capital out lay account, but it had been accounted as a current year expense.

1.3.3 Un-reconciled Differences

Following observations are done.

- (a) There was a difference of Rs. 1,502,186 between the fixed assets register and given subsidiary records relating to 31 buildings on 31st December of the year under review.
- (b) Although 3 retention balances had not been mentioned in the deposit register on 31st December of the year under review, according to the financial statements the values of those account balances was Rs. 30,000.
- (c) There was a difference of Rs. 10,891,980 between fixed assets and revenue contribution to capital out lay account.

1.3.4 Receivable accounts

The following observations are done.

- (a) The balance of 3 receivable accounts amounted to Rs. 1,601,879 at the end of the yaer under review and Rs. 1,453,230 from it had arised before 5 years and Rs. 63,571 had arised before more than 3 years time.
- (b) Actions had not been taken to recover the balance of recoverable utility services amounted to Rs. 117,194 on 31st December 2017 out of that Rs. 60,563 for motor vehicle damages bought forward since 2005, Rs.40,000 of dishonored cheque since 1999 and Rs. 2,700 for computer data operators salary in 2007

1.3.5 Lack of written evidence for audit

A sum of account balances of Rs. 7,802,608 in the accounts of furniture and fittings, library books, receivable rent employee security deposit and arrears water charges could not be satisfactorily vouched in the audit due to non submission of information.

1.3.6 Noncompliance to the Rules, Regulations and Management Decisions

The non compliances to the rules, regulations and management decisions are mentioned bellow

Reference to the Rules regulations and Management Decisions	Non compliance
(a) Section 134 of the Pradeshiya Sabha Act No. 15 in 1987	Although the Thalpotha town had been declared as a developed area and permission from the relevant minister had been taken on 29 August 2014, actions had not been taken still to recover rates.
(b) Public Administration circular No 40/90 dated 10 October 1990	A tractor had been repaired for Rs. 113,000 without getting a report from qualified mechanical engineer.
(c) Local Government commissioner's letter dated 4 th December 2015	1990 liters of fuel valued to Rs. 189,050 had been used over the permitted level of 150 liter per month for the cab assigned to the secretary
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 2017 amounted to Rs. 9,566,538 as compared with the excess of revenue over expenditure amounting to Rs. 18,743,422 for the preceding year.	
2.2 Revenue Administration	

The estimated income, billed income, collected income and arrears income	

The estimated income, billed income, collected income and arrears income for the year under review and preceding year are given bellow.	

Income Source	2017				2016			
	Estimated income	Billed income	Collected income	Arrears income	Estimated income	Billed income	Collected income	Arrears income
Tax and Rates	-	-	-	-	-	-	-	-
Rent	11,213,067	10,185,867	10,893,867	2,139,526	4,963,691	4,080,491	4,700,191	2,423,085
Licenses Fees	1,330,650	1,129,975	1,129,975	-	1,222,150	942,210	942,210	-
Other revenue	8,179,750	4,589,047	9,217,684	2,578,995	8,333,730	6,127,433	2,967,798	7,569,921
	<u>20,723,467</u>	<u>15,904,889</u>	<u>21,241,526</u>	<u>4,718,521</u>	<u>14,519,571</u>	<u>11,150,134</u>	<u>8,610,199</u>	<u>9,993,006</u>

2.2.2 Rent

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- Even though the balance of 25% of tender charges valued to Rs. 186,500 which should have been paid by 17th February 2017 for the vehicle park in the Somawathie Sacred Place, the payment had been neglected by the tenderer for over 7 months and the actions had not been taken to recover the due delay charges of Rs. 32,330 with arrears.
 - Due to the misplace of income files, an arrears income has arisen amounting to Rs. 101,265 and any action had not been taken against the responsible officers of the subject.
 - Actions had not been taken to recover the due Rs. 5,000 for the rent of weekly fair since year 2012.

2.2.3 Licenses

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- According to rule number 59 of Pradeshiya Sabha (Financial Administration) rules in 1988 a survey had not been carried out regarding industries in 1988 and the License fees had not been charged according to that.
 - Registration charges of 90 three-wheelers valued to Rs. 90,000 had not been collected during the year under review.

2.2.4 Other Income

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- Actions had not been taken to recover due rent Rs. 76,076 for the bacho loader belonging to Lankapura Pradeshiya Sabha.
 - There had been a net income loss by the rice Production Bakery During the months of January, February and March in consequence to that Rs. 9,661 , Rs. 62,807 and Rs. 55,862 in the year under review.
 - Due income for 173 advertisement boards fixed by 30 entities within the Sabha area had not been collected.

03 Operating Review

3.1 Performance

The facts observed are mentioned bellow about the performance of activities which should have done by the Sabha such that regulating and controlling public health, common utility services and the matters of common roads, succession of people, convenience and welfare under the section 3 of Pradeshiya Sabha act.

(a) By-laws

Although the Sabha should have imposed by laws on 55 factors under the section 126 of Pradeshiya Sabha act, any by-law had not been enacted, and the decision had been taken to impose the bylaws prepared by chief minister of North Central province under local government ministers (Standard by laws) gazetted in 1952 number 6, dated 30th March 2016 by 35/1960, in the administrative committee held on 6th December 2017

(b) Action Plan

According to the enacted by laws an action plan with the description of Performing 53 activities had not been prepared.

(c) Sustainable Development Goals

Following facts were observed.

- (i) Even though Sabha had been aware of sustainable development goals declared by the United Nations Organization, it had not correctly indentified the goals relevant to Sabha.
- (ii) There was not a method in Sabha to collect data for indices according to the National Budget Department circular number BD/CBD/4/1/2 – 2018 dated 31st July 2017.
- (iii) There was no method of collecting data for indices due to non identification of turning points to regulate activities in achieving development goals.
- (iv) Although it had been allocated total amount of Rs. 1,036,000 in years 2016 and 2017 to achieve the goals, the amount expend from it had been only Rs. 285,000 or 27 percent only.
- (v) There had not been a method of training the staff of the institute to achieve the sustainable development goals and other institutions had not been identified to combine in achieving the goals.

3.2 Management Inefficiencies

- (a) Actions had not been taken to get the ownership of the double cab which is used by the Sabha and has registered under the Ministry of Finance.
- (b) The Sabha had lost an income from compost due to actions had not been taken to duly pack and sell the composted garbage.

- (c) Although it had been allocated to develop 57.8 Km roads applying gravel during the local government road development week 2017(Local Government Road Week), gravel had not been used to develop the roads and only mortogradering and ditching to flow water had been done.

3.3 Human Resource Management

Employee Vacancies and Excesses

- (a) During the yaer under review there had been vacanicies in the secratery post, belong to the tertiary level, 04 development officer posts, 02 management assistant posts, 03 librarian posts belonging to secondary level.
- (b) In excess to the approved carder, one labour of water ,one labour of Ayurweda, and one office assistant had been employed.

3.4 Operational Inefficiencies

Inspection of water projects

The water project at Devalagodalla which had built using the Sabha fund in the year 2011 had been abandoned since 02 years time. The mortar of this project had been unoperational at present and well and tank has become idled. The electricity bill of this project had been arrearsed by Rs. 23,000 while there is no any other water project operating in this area the only water project had been abandond since 2 years time.

3.5 Assets Management

3.5.1 Idle and under-utilized assets

The motorcycle numbered 108 Sri 1706 valued to Rs. 124,921 foot bicycle and trailor bowser had been idled since 04 years time.

04 Accountability and Good governance

4.1 Internal Audit

An internal audit had not been done during the year under review.

4.2 Audit and Management Committees

The audit and management committees had not been established and committee meetings had not been conducted for the year 2017 by the Sabha.

4.3 Procurement Plan

The Pradeshiya Sabha had not prepared a procurement plan and the procurement activities had not been done with a plan.

05. Systems and Control

 The deficiencies observed in the audit have been forward for the attention of Sabha from time to time. The special attention must be given further for the following areas of control.

	System -----		Deficiency -----
a	Fixed assts control	(i)	Not maintaining fixed assets register including all the fixed assets
		(ii)	Not writing off the value of the removed fixed assets from the relevant register.
b	Accounting	(i)	Not updating the collection and accounting of money
c	Revenue Administration	(i)	Not updating the revenue registers
		(ii)	Not taking actions to recover arrears income
d	Inernal Control	(i)	Not doing an internal audit
		(ii)	Not conducting audit and management committee meetings
e	Debtors/ Creditors control	(i)	Not recovering receivable and payable accounts
f	Vehicle Control	(i)	Not doing tests on usage of fuel
		(ii)	Not doing verifications about vehicles