

Lanakapura Pradeshiya Sabha
Polonnaruwa District

1. Financial Statements

1.1 Presentation of Financial Statements

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 Statements and the Detailed management report had been forwarded to the Chairman on 30th June 2020 and 28th July 2020 respectively.

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 Lankapura Pradeshiya Sabha as at 31st December 2019 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 Observation

Recommendation

Comments of the
Accounting Officer

At the disclosing the Accounting policies of the sabha, It has mentioned that stamp duties and court fine incomes had been accounted on cash basis, but stamp duty and court fines income had been accounted on accrual basis.

It should be revealed as "Accrual basis"

Agreed. It will be revised in the year 2020.

(b) Accounting Deficiencies

Audit Observation

Recommendation

Comments of the
Accounting Officer

(i) The identified court fines income of Rs.5,401,974 relevant to year under review had been accounted as Rs.2,425,833 in the Financial Statements.

Updated information should be received and accounted.

Agreed. Correct value was unable to be accounted since delay of receiving information.

(ii) Receivable stamp duty income for the year under review and court fines income for the month of December had not been identified and accounted.

Updated data should be received and accounted.

Agreed. It had not been accounted as not giving relevant information.

(iii) Rs.344,843 of expenditure relevant to the year under review had not been accounted.

It should be accounted on accrual basis.

Agreed. Actions will be taken to account.

(C) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
A difference of Rs.10,724,385 was between the total Fixed Assets and contribution to revenue from capital outlay account.	Difference should be compared and corrected.	Agreed. It will be corrected in the future.

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-Compliance	Recommendation	Comments of the Accounting Officer
	(Rs.).			
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) F.R.396	340,995	Actions had not been taken regarding issued but non presented 23 checks of which time lapsed 6 months.	Actions should be taken as per financial regulation.	Actions had been taken as per F.R. 396.

1.5 Receivable and Payable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A Rs.1,914,730 out of Rs.2,725,586 of receivable tax income from property and equipment in the financial statements in the year under review, was more than 5	Legal actions should be taken to recover income arrears.	Legal actions have been taken to recover income arrears and it has been

years without receiving.

agreed to pay as installments.

- (b) A Rs.28,152,037 has been receivable and a Rs.29,931,394 has been payable for the various development projects implemented in the Sabha territory area during the year under review. Actions should be taken to settle the receivable and payable accounts. Receivable and payable balances for the development projects are being settled.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue for the year ended 31st December 2019 amounted to Rs.1,594,162 and compared to that, excess of revenue over recurrent expenditure in the previous year was Rs.5,134,193.

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 and previous year appear below.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	70,000	30,000	30,000		70,000	81,750	81,750	
Rent	9,296,114	8,935,208	9,049,549	2,017,329	6,955,286	9,771,470	9,602,530	2,232,265
License fees	1,040,750	1,530,804	1,530,804		1,307,000	1,959,890	1,959,890	
Other income	7,680,913	11,137,354	12,017,342	1,613,287	9,984,470	9,157,474	5,828,664	4,514,522
Total	18,087,777	21,633,366	22,627,695	3,630,616	18,316,756	20,970,584	17,472,834	6,746,787

2.2.2 Rates and taxes

Audit Observation

Thalpotha town had been gazette as a developed area on 31st October 2012, proposal had been passed in General Assembly on 28th November 2013 and approval of the Minister in charge had been given On

Recommendation

Actions should be taken to value the property.

Comments of the Accounting Officer

Actions was taken to value property through valuation department.

29th August 2014. But the collectable income had been lost for 07 years due to disability of valuation of the property by the Sabha through valuation department.

2.2.3 Court Fines and Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The receivable court fines income as at 31 st December 2019, due from Chief Minister and other authorities of the Provincial Council was Rs. 6,078,823.	Actions should be taken to update and recover receivable income.	It is informed that arrears of court fines and stamp duty are taken timely for development activities.
(b) None of income of stamp duty for the year under review had been identified and arrears relevant to previous years was Rs.351,528 by 31 st December in the year under review.	Actions should be taken to obtain updated data.	Data has not been given by responsible entities.

3 Operating Review

3.1 Performance

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 such as regularization and control of matters relating to public health, common utility services and public roads healthy environment of the public, amenities, welfare etc.

(a) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Garbage collection was seen at the Lankapura Pradeshiya Sabha territory areas without sorting.	Solid Waste management should be regularized.	It is informed that garbage is collected after sorting.

3.2 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Acting officer had been appointed for the secretary position as there was a vacant. Five development	Essential vacancies should be fulfilled.	Agreed. Relevant authorities had been

officers and 03 librarian belonged to secondary level and other 10 posts had been vacant.

informed to fulfill vacancies existing in approved cadre.

3.3 **Assets Management**

3.3.1 **Idle and underutilized Resources**

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The total of Rs. 30,225,118 of 10 buildings, vehicles and machines are kept in idle for a long period.	Idle assets should be utilized.	Plans has been made for breaking and removing of Gamsabha building, re auctioning of rest of the goods identified by board of survey 2018 and to utilize bus stand, Kubota tractor and trailer.

4 **Accountability and Good Governance**

4.1 **Internal Audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
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A Regular internal audit had not been done due to the assigning of other duties and unavailability of suitable training for the officer, although an officer had been appointed and semi-annual internal audit plan had been prepared.	A suitable officer should be appointed for the internal audit.	Person engaged in other duties had been appointed due to the vacancies in cadre and department of Local Government has been informed that it had been planned for giving a training regarding the subject.