

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 05 April 2016 while Financial Statements relating to the preceding year had been submitted on 08 May 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 12 July 2016.

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 2015, its financial performance and cash flows for the year then ended and cash flows in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) The sum of Rs. 2,872,999 being the amount receivable to the Sabha from the Local Government Department for 09 Local Government Roads Projects performed by the Sabha and the amount payable by the Sabha had not been accounted under Work Debtors and Work Creditors.
- (b) The sum of Rs. 4,398,046 being the amount receivable as at the end of the year under review from the Central Environment Authority for small scale Solid Waste Management Project implemented by the Pilisaru Project had not been accounted under Debtors.
- (c) a sum of Rs. 80,000 had been spent for parts of lands acquired for construction of an access road to the land where Thambala Cattle Slaughtehouse is situated, value of those parts of land had not been accounted under Fixed Assets.

1.3.2 Non-reconciled Control Accounts

- (a) Although the value of buildings as at 31 December of the year under review according to Register of Fixed Assets was Rs. 8,603,775, according to financial statements, it had been Rs. 45,937,435 indicating a non-reconciliation in a sum of Rs. 37,333,660.

- (b) While the value of Motor Vehicles and Carts as at 31 December of the year under review had not been recorded in the Register of Fixed Assets, according to financial statements, that value had been Rs. 51,044,033 indicating a non- reconciliation in a sum of Rs. 51,044,033.
- (c) While the value of Accounts receivable balances as at 31 December of the year under review shown in the financial statements was Rs. 7,989,472, out of that, a sum of Rs.1,068,000 between 3 and 5 years and a sum of Rs. 692,461 more than 5 years outstanding were included therein. Adequate action had not been taken by the Sabha for recovery of those receivable balances.

1.3.3 Non-compliance with Laws, Rules and Regulations etc.

A sum of Rs. 265,750 had been paid as fuel, telephone and stationery allowances to the Chairman and for the Pradeshiya Sabha Members out of the Sabha Fund during the year under review , without compliance with instructions provided for utilization of Sabha Funds in terms of Section 132 of the Pradeshiya Sabha Act No. 15 of 1987.

02. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year under review ended 31 December 2015 amounted to Rs. 4,960, 090. as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 4,382,089.

2.2 Revenue Administration

2.2.1 Stalls Rent Arrears

Action had not been taken by the Sabha to recover Meat Stalls Rent Revenue amounting to Rs. 1,448,226 receivable for the period from the year 2003 to year 2011.

3. Operating Review

3.1 Operating Inefficiencies

- (a) Although the number of officers and employees engaged in functions of the Sabha had been 58, duties had been assigned in writing only to 10 officers out of them.

- (b) Monthly particulars of Revenue and Expenditure relating to Rice Flour Associated Products Processing Centre belongs to the Sabha had not been submitted to the Sabha.

3.2 Solid Wastes Management

Out of 4.5 tons of garbage generated in the area of authority of the Sabha, 3 tons are dumped daily into a land belongs to the Sabha in extent of about 5 acres situated in Thalpotha, engaging employees and tractors. Environmental and health problems had arisen under the situation of garbage left opened due to lack of attention towards a solid waste management procedure even up to April 2016.

4. Good Governance and Accountability

4.1 Budgetary Control

- (a) Variances were observed between the budgeted estimates of revenue and expenditure and the actual revenue and expenditure of the year under review. There were variations from 18 to 100 percent in expenditure items and 06 to 94 percent in revenue items.
- (b) Although it had been planned to recover Rates from the properties situated in developed areas of authority of the Sabha according to budgets for the year under review and the preceding year, necessary action for that had not been taken.

4.2 Internal Audit

An Internal Audit Officer directly responsible had not been appointed to the Saba in terms of Paragraph 6 the Circular No. 04/2015 dated 18 March 2015 of the North Central Province Commissioner of Local Government.

4.2 Implementation of Audit and Management Committees

Any Audit and Management Committee Meeting had not been conducted during the year under review.

4.3 Assets Management

Action had not been taken to establish the ownership of 22 plots of land shown under Land and Buildings in the financial statements by obtaining deeds or ownership certificates in favor of the Sabha.

4. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Solid Waste Management