

**Lankapura Pradeshiya Sabha**

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**Polonnaruwa District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 29 May 2019 and 24 May 2019 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 31 December 2018 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 Deficiencies**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(i). The arrears Employee Loans as at 31 December of the year under review had been under stated by Rs.62,305.	Actions should be taken to make it accurately account.	The advices had been provided to the relevant offices to make it correct.
(ii). The Officers' Advance Account had been overstated by Rs.36,000 as at 31 December of the year under review.	The Officers' Advance Account Balance should be accurately accounted.	The advices had been provided to the relevant offices to make it correct.
(iii). The Court Fines income identified for the year under review had been understated by Rs.683,416.	All the income for the year under review should be accurately identified and accounted.	Informed that this error had been corrected in the year 2019 and the specific amount of Court Fines relevant for the year had been difficult to identify.
(iv). The values had not been assessed and taken into the account of 138 Jayabima Common Cemeteries owned by the Sbaha.	The value s of the Lands should be assessed and accounted.	The advices had been given to the Officers to assess all the Assets in the year 2019 and enter into the accounts.

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| (v).    | A Provision had not been made for the Audit Fes for the year under review.   | The Provisions should be made for the expenses relevant to the year.                    | Informed that the provisions had not been made because a specific value could not be found out.   |
| (vi).   | The Receivable Stamp Duty value from July to December of the year under review had not been identified and accounted.  | All the income for the year under review should be accurately identified and accounted. | Informed that this error had been corrected in the year 2019 and the specific amount of Court Fines relevant for the year had been difficult to identify. |
| (vii).  | Receivable and Payable Bills of Rs.7,545,410 as at 31 December on 13 Completed Projects under Pibidemu Polonnaruwa Program in the year under review had not been accounted under Industrial Creditors and Debtors. | Creditors and Debtors should be properly identified and accounted.                      | Answers had not been provided.  |
| (viii). | Rs.2,465,375 adjusted by the cross references in the year under review had been debited to the Accumulated Funds.  | The expenses for the year under review should be adjusted to the profit of the year.    | The advices had been given to the Officers to correct.  |

**(b) Unreconciled Accounts**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(i). A difference of Rs.93,225 had been occurred because the opening balance of the Officers' Advance Register for the year under review was Rs.113,225 and it was state as Rs.20,000 in the Financial Statements.	The Officers' Advance Register should be up dated and the accurate amount should be state in the Financial Statements.	The advices had been given to the Officers to correct.
(ii). A difference had been occurred in the balances of 31 Balances in Buildings as at 31 December in the year under review of Rs.1,646,466 between the balance in the Subsidiary Documents and the Assets Register.	Assets Register should be updated and the accurate values should be taken to the Subsidiary Documents.	The advices had been given to the Officers to correct.
(iii). A difference appeared between the balances of the Fixed Assets and the	Actions should be taken to find out the reasons for the difference	Actions would be taken to make it correct in the

Account for the Revenue Application and correct.  
for Capital of Rs.6,401,694

future.

**(c) Lack of Necessary Documentary to Evidence for Audit**

Audit Observations	Recommendations	Comments of the Accounting Officer
Value of Rs.5,325,526 on 04 items of accounts could not be satisfactorily vouched during the audit due to non rendition of necessary information.	Evidence for confirming the balances of accounts in the financial statements should be furnished.	No documents to verify the ownership of the Sabha on 14 Lands consumed. The advices had been given to the relevant officers to maintain a Register from the year 2019 for Employee Security Deposits, because there was no evidence to verify the arrears values.

**1.4 Non Compliances**

**Non-compliance with Laws, Rules, Regulations and Management Decisions**

Audit Observations	Recommendations	Comments of the Accounting Officer
<p><b>Reference to Laws, Rules, Regulations and Management Decisions</b></p> <p><b>Value and Rs.</b></p> <p><b>Non Compliances</b></p>		
<p>(a) <u>Pradeshiya Sabha Act No.15 of 1987</u></p> <p>(i) Section 19(2)</p>	<p>Sabha had not obtained the acceptance from the Minister for the Rice Flour</p> <p>Should be had not obtained the acceptance from the</p>	<p>Advices had been given to obtain the acceptance from the</p>

	Products Bakery, Stall and Holiday Bungalow.	Minister for the Commercial or Industrial enterprises.	Governor.
(ii)	Section 134	Actions had not been taken to charge Rates form Thalpotha Town Even though it had been made a developed area by the gazette dated 31 October 2012 and obtained the council Standard to charge rates on 28 November 2013 and obtained the Acceptance from the Minister on 29 August 2014.	The future steps to charge rates from Thalpotha area should be taken. Forwarded to the Department of Valuation on 18 August 2017 to obtain an assessment and informed them verbally and written.
(b)	<u>Section 23(a) of the Environmental Act No.47 in the year 1980</u>	Actions had not been taken to recognize the suitable institutes and issue the Environmental Licence even though 17 industries within the Sabha territory had been expired the Licence over 4 to 7 years.	Legal actions should be taken against the industries without the Environmental Licence. The officers had been advised to take actions under the Section23(a) of the National Environmental Act and inspect the Environmental Licence and issue new Licence.
(c)	<u>1988 Pradeshiya Sabha (Finance and Administration) Rules</u>		
(i)	Rule No. 59 to 63	-	
		A list had not been prepared of the industries, trades and businesses carried out inside the territory of the Sabha.	A list should be prepared of the industries, trades and businesses carried out inside the territory of the Sabha as at 31 March by a Survey. The officers had been advised to carry out a survey and prepare a list from the year 2019.
(ii)	Rule No. 203	The Board of Survey for the year 2018 had not been finished as at 31 May 2019.	An Annual Survey should be carried out in the necessary time period. The Board of Survey on the 04 Libraries had been finished the date of

audit and the rest would be finished within next few weeks.

- (d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) The Financial Regulations 215,225  
371(5) amended by the Even though the advances The Advances Advices had been  
Public Finance Circular should be settled within 10 should be settled given to settle the  
No.03/2015 on 14 July 2015 mentioned tasks Advance within the relevant advances within the  
No.03/2015 on 14 July 2015 amounting to Rs.215,225 time period and if  
had been delayed for ½ not legal actions  
months to 43 ½ months would be taken.  
during the year under  
review and the preceding  
year.
- (ii) F.R 751 142,900 The Goods purchased Goods purchased Necessary Advices  
during the year under should be entered in had been given.  
review valued Rs.142,900 the inventory  
had not been entered in the documents.
- (e) Circulars of the Commissioner of the Local Government
- The Letter 33,535 The allocated amount of The fuel Fuel had been used  
No.NCP/PL/AC/04/01/02 for the Vehicle placed consumption should for the duties within  
dated 04 December 2015 exceeded by 353 Liters of be within the the Sabha Territory  
Rs. 33,535 for the January allocated limits and out station.  
to March in year under Because lot of  
review. development  
projects had being  
proceeded within  
the area and the  
vehicle had been  
used for those  
projects  
supervision.

## 1.5 Accounts Receivable and Payable

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Audit Observations	Recommendations	Comments of the Accounting Officer
(a). Actions had not been taken by the Sabha to recover 03 receivable balance continuously remained arrears for long time of Rs.1,607,190 at the end of the year under review.	Actions should be taken to recover the receivable amount of money as soon as possible.	According to the inspections carried out after informing to Police about this, 06 lessees had been agreed to pay the money. 03 lessees had been to abroad. 06 had been verified that left the residence.
(b). Actions had not been taken to recover an amount that could be recovered of Rs.117,194 stated under Utility Services for 11 to 19 years.	Actions should be taken to recover the receivable amount of money as soon as possible.	A report the Accounting Errors should be corrected and balances should be removed had been forwarded to the acceptance.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.5,134,193 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.9,566,537.

### 2.2 Revenue Administration

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#### Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

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Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	70,000	81,750	81,750	-	250,020	85,000	85,000	-
(ii) Rent	6,955,286	9,771,470	9,602,530	2,232,265	11,609,867	11,814,778	11,738,578	2,638,209
(iii) Licence Fees	1,307,000	1,959,890	1,959,890	-	1,330,650	1,267,075	1,267,075	-
(iv) Other Revenue	14,484,470	18,311,502	14,133,660	7,363,801	15,877,095	11,391,592	6,413,207	5,355,702
<b>Total</b>	<b>22,816,756</b>	<b>30,124,612</b>	<b>25,777,830</b>	<b>9,596,066</b>	<b>29,067,632</b>	<b>24,558,445</b>	<b>19,503,860</b>	<b>7,993,911</b>

### 2.2.1 Performance in Collection of Revenue

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
----- Even though the estimated revenue for the previous year had been Rs.29,067,632 and the estimated revenue for the year under review had been Rs.22,816,756, therefore, it had been reduced by 21 per cent compared to the preceding year.	----- Actions should be taken to find out the reasons for this decrease.	----- The actual revenue of few previous years had been considered when making the estimated revenue for the year 2018. But it had not been taken any basis for the estimate of the year 2017.

### 2.2.2 Rates and Taxes

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
----- Rates and Taxes recovered for the year under review had been Rs.81,750 and it had been decreased by 3 per cent compared to the preceding year.	----- Actions should be taken to raise the income.	----- Actions would be taken to raise it in the year 2019.

### 2.2.3 Rents

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
----- Arrears Rent as at 31 December of the year under review had been Rs.2,232,265.	----- Actions should be taken to recover the arrears rent income as soon as possible.	----- The balance of Rs.2,232,265 had been kept arrears from a long time and the legal actions had being taken to recover.

### 2.2.4 Court Fines and Stamp Duty

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
----- Recoverable Court Fines had been	----- Action should be taken to	----- The arrears Court Fines

Rs.3,980,599 and Stamp Duty had been Rs.2,282,173 as at 31 December 2018 from the Chief Secretary and the other officers.

recover the Court Fines and the Stamp Duty.

and the Stamp Duty had been for the relevant time period and actions would be taken to recover them and used them for the development projects timely.

### 3. Operating Review

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#### 3.1 Performance

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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act No.15 of 1987, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

#### (a) Solid Waste Management Audit Observation

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#### Recommendation

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#### Comments of the Accounting Officer

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| (i). | The garbage collected daily within the Sabha territory about 02 Tons had to be categorized by the employees in the Pilisaru Centre on an additional cost because it had been collected without categorizing them. | Actions should be taken to encourage the Public to categorize the garbage and hand over.                | Actions would be taken to reject the garbage not categorized and take legal actions on the people who dispose the garbage informally.   |
| ii). | The Decayed Compost could not be powdered and sell it daily because the of the lack of space in the Building built inside the Pilisaru Centre   | Actions should be taken to increase the production of the Compost Fertilizer sufficient for the Demand. | A request had been made for the provisions from the Department of Local Authorities to build an extra building for the Pilisaru Centre, because Sabha had no enough provisions. |

#### (b) Sustainable Development Goals Audit Observation

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#### Recommendation

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#### Comments of the Accounting Officer

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| (i). | Even though the Sabha had aware of the Sustainable Development Goals introduced by United Nations they had not correctly identified the targets relevant to the Sabha. | Should identify the targets of the Sabha. | Actions would be taken with necessary consideration to all the matters in the future. |
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| (ii).  | There had no processes for collecting data for the indices introduced by the Circular No. BD/CBD/4/1/2-2018 dated 31 July 2017 of the Department of National Budget when making the budget.               | Should act according to the advices.          | Actions would be taken with necessary consideration to all the matters in the future. |
| (iii). | No processes for collecting data for the indices because there had no benchmarks to regulate when the tasks reaching their targets.   | Actions should be taken to collect data.      | Actions would be taken with necessary consideration to all the matters in the future. |
| (iv).  | Sabha had not identified the necessary financial provisions to reach the sustainable development targets in the years 2016, 2017 an 2018.   | Actions should be taken to identify and fund. | Actions would be taken with necessary consideration to all the matters in the future. |
| (v).   | There was no any process to train the staff of the Sabha when reaching the targets and Sabha had not identified the other government institutions which they should join with when attaining the targets. | Necessary trainings should be carried out.    | Actions would be taken with necessary consideration to all the matters in the future. |

(c)	<b><u>Action Plan</u></b> <b>Audit Observation</b> ----- 21 out of 60 programs had not been completed mentioned in the Action Plan for the year under review.	<b>Recommendation</b> ----- The programs identified in the action plan should be completed.	<b>Comments of the Accounting Officer</b> ----- Actions would be taken to complete all the programs in the action plan for the year 2019.
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### 3.2 Management Inefficiencies

(a)	<b>Audit Observations</b> ----- Actions had not been taken to issue the Environmental llicence and the charge the fees from 06 out of 13 industries who received applications and issued the Investigation reports for over 06 to 08 years	<b>Recommendations</b> ----- Actions should be taken to issue the Environmental Licence for the suitable industries, to make comply the other industries with the rules and regulations and to take legal actions against	<b>Comments of the Accounting Officer</b> ----- The advices had been provided.
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industries that make the environment damage.

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| (b) | Actions had not been taken to recover the income from 86 Promotional Bulletin Boards during the year under review.  | Actions should be taken to recover all the receivable income from Promotional Bulletin Boards. | Actions had been taken to remove the unauthorized Bulletin Boards and recover the receivable Promotional Bulletin Boards legally. |
| (c) | The Deposited Balance not paid could not be verified as at 31 December because a Deposits Register had not been maintained including all the deposits up to date. | The Deposits Register should be maintained up to date.   | Advices had been given to maintain the Deposits Register up to date.  |
| (d) | Actions had not been taken to acquire the ownership to the Sabha of a vehicle.  | Actions should be taken to acquire the ownership to the Sabha.                                 | Actions would be taken to acquire the ownership in the year 2019.   |

### 3.3 Human Resources Management

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<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
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(a). The Post of Third Level Secretary had been vacant in the Sabha and a Secretary had been recruited to cover the duties from July of the year under review.	Actions should be taken to fill up the vacancies.	A request had been made to fill up the vacancies to the Commissioner of Local Authorities.
(b). 09 posts had been vacant as 04 Secondary Level Development Officers, 03 Librarians, Management Assistant, and Works Inspector.	Actions should be taken to fill up the vacancies.	A request had been made to fill up the vacancies to the Commissioner of Local Authorities
(c). 08 posts had been vacant as a Primary Level post for combination of Ayurvedic Drugs, an Office Assistant, 03 Library Labourers, A field labourer, a plumber and a Sanitary labourer.	Actions should be taken to fill up the vacancies.	A request had been made to fill up the vacancies to the Commissioner of Local Authorities.

### 3.4 Operating Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though the decision had been taken to make the Pulathisigama and Thambala areas developed Sabha had been failed to survey the lands and draw the plans.	Actions should be taken to charge the rates for the areas identified as developed.	The Survey of the Lands of Pulathisigama and Thambala areas had been finished.

### 3.5 Assets Management

#### 3.5.1 Idle/Underutilized Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
(a). Actions had not been taken to discard 06 vesicles keep out from using.	Actions should be taken to discard the assets not used.	Advices had been given to discard the assets that could not be used.
(b). A Block Stones Manufacturing Machine, a Concrete Mixture, a Projector and a <b>Thalakampakaya</b> valued Rs.233,575 had been remained idled.	Sabha should be made the optimum utilize of assets.	Advices had been given to discard the assets that could not be used.

#### 3.5.2 Assets Not Listed

Audit Observations	Recommendations	Comments of the Accounting Officer
The buildings of Rs.2,104,403 capitalized within the year under review had not been entered in the Fixed Assets Register.	The fixed assets register should be maintained up to date.	Advices had been given to include in the Fixed Assets Register to the relevant officers.

### 3.6 Irregular Transactions

Audit Observations	Recommendations	Comments of the Accounting Officer
(a). Even though Rs.645,400 had to be charged for 184.4 metre hours , Rs.3,500 per one metre hour that the	Actions should be taken to investigate the reasons for the difference.	28,2 metre hours had not been entered in the documents and copy

Backho Loader had not been used for the Sabha purposes, Rs.458,010 had been recovered as the recoverable income of the year under review. The reasons for this difference had not been described.

errors of 4.9 and 30.1 hours for Services and repairs had been occurred.

- (b). Even though Fraudulent Agreements had been signed as the whole sum of money paid when renting out the Stalls, Rs.355,000 out of Rs.901,500 of key money had been paid and the Guaranties of Rs.566,500 had not been charged and also not declared in the Financial Statements.
- The Asses should be leased after the key money had been paid and the arrears should be charged.
- Advices had been provided to the officers to recover the arrears key money.

#### 4. Accountability and Good Governance

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##### 4.1 Internal Audit

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Sabha had not been carried out an Internal Audit on the transactions of the Sabha.	----- Actions should be taken to do an internal audit.	----- An internal auditor had been appointed and auditing had been started.

##### 4.2 Audit and Management Committee

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Even though the Audit and Management Committee meetings should be hold every 02 months according to the letter No.NCP/CS/01-Audit dated 11 May 2016 of the Chief Minister of the North Central Province, Audit and Management Committee Meeting had not been hold for the year 2018.	----- Audit and Management Committee Meetings should be hold appropriately.	----- Actions would be taken to hold Audit and Management Committee meetings in the year 2019.