Lankapura Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lankapura Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Net Assets/Equity, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information was carried out, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Lankapura Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha ;

- Whether it has performed according to its powers, functions and duties; and

- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

(a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

(b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local authorities

	Non Compliance with the reference to particular Standard	Comments of the Sabha	Recommendation
(a)	Although provisions should have been made for all types of receivables including employee loans and advances as per EG 4.6 of appendix 02 of Sri Lanka Public Sector Accounting Standard for Local Government Institutions, this had not been done.	That will work to correct it in the future.	The Sri Lanka Public Sector Accounting Standards for Local Government Institutions should be followed.
(b)	Although schedules showing cost, accumulated depreciation, annual depreciation and net value in respect of each asset as at the end of the reporting period should be prepared and submitted in accordance with Sri Lanka Public Sector Accounting Standard No. 6.20 for Local Government Institutions, the schedules had been prepared and submitted showing only the net value of the assets.	That will work to correct it in the future.	The Sri Lanka Public Sector Accounting Standards for Local Government Institutions should be followed.

1.6.2 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Due to the fact that annual depreciation of Rs. 810,300 had not been calculated in relation to 03 fixtures purchased in the previous year, the annual fixture depreciation had been understated by the same amount.	Although it was purchased in 2023, it was not depreciated in the relevant year because it was put into use in 2024.	Should be accounted correctly.

(b)	A stock balance of Rs. 786,474 worth of 15 items and the value of 464 units of goods worth 18 items had not been assessed and accounted.	That will be corrected in the future.	Should be accounted correctly.
(c)	05 items with a value of Rs. 620,220 which should have been shown under property, plant and equipment were shown under warehouse stock balance.	That will be corrected in the future.	Should be accounted correctly.
(d)	The balance of industrial creditors was accounted as Rs. 34,808,790 less and the balance of industrial debtors as Rs. 31,478,306 less..	That will be corrected in the future.	Should be accounted correctly.
(e)	The variety deposit account was understated by Rs. 148,520.	The value in the general journal has been recorded incorrectly.	Should be accounted correctly.
(f)	The receivable revenue from the solar power system of Rs. 101,375 receivable was not disclosed in the financial statements.	That will be corrected in the future.	Should be accounted correctly.
(g)	The revenue from the sewage disposal fee for the sewage system had been over-accounted for by Rs. 625,050 and the arrears of revenue Rs. 125,500 had not been recorded.	That will be corrected in the future.	Should be accounted correctly.
(h)	Due to non-adjustment of transactions made on standing orders to the payment accounts, expenses of Rs. 452,595 were under-accounted.	That will be corrected in the future.	Should be accounted correctly.
(i)	As at 31st December 31 the year under review, the amount of Rs. 2,420,829 relating to 07 industrial debtors who had been paid off had not been removed from the industrial debtors account.	That will be corrected in the future.	Should be accounted correctly.
(j)	Savings interest income was over-accounted by Rs. 179,868.	That will be corrected in the future.	Should be accounted correctly.
(k)	An amount of Rs. 589,101 payable as at 31st December of the year under review had been omitted from the creditors' balance and expenditure accounts.	That will be corrected in the future.	Should be accounted correctly.

(l)	Due to the fact that the assistance received in the year under review and previous years for assets that were not taken in the form of capital and to which the Sabha has no right and which should not be shown under capital grants, was recorded under capital grants, its value was overstated by Rs. 4,037,273.	Action will be take to correct.	Should be accounted correctly.
(m)	19 construction balances worth Rs. 62,824,826, including Rs. 38,682,998 relating to 10 buildings constructed during the year under review and Rs. 24,141,828 relating to 09 bridges, culverts, roads and other constructions, were not disclosed in the property and equipment balances.	Action will be take to correct.	Should be accounted correctly.
(n)	In the cash flow statement, an amount of Rs. 5,372,723 was erroneously stated as a decrease in other current liabilities when calculating cash flows from operating activities.	That will be check and work to correct it.	Should be accounted correctly.
(o)	The cash flow from investing activities did not include the converting to cash of fixed deposits of Rs. 15,000,000.	That will be check and work to correct it.	Should be accounted correctly.
(p)	The value of 02 machines purchased during the year under review for Rs. 211,500 was not stated in the machine account.	That will be working to correct it.	Should be accounted correctly.
(q)	Due to the difference between the electricity produced by the solar power generation system and the electricity received from the Electricity Board being adjusted to the accounts, the solar panel income of Rs. 725,718 and the electricity expenditure of Rs. 200,803 were not shown in the accounts.	That will be working to correct it.	Should be accounted correctly.

1.6.3 Unreconciled Control Accounts

	Audit Observation	Comments of the Sabha	Recommendation
(a)	When comparing the value of 07 account balances shown in the financial statements prepared as at 31st December of the year under review with the balances in the supporting documents relating to those account balances, there was a unreconciled of Rs. 4,953,004.	That will be checked and corrected.	Account books should be reconciled and correct values recorded.

(b)	There was a unreconciled of Rs. 14,882,054 between the value of 52 account balances shown in the financial statements and the balances of those accounts in the general ledger.	That will be checked and corrected.	Account books should be reconciled and correct values recorded.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
The total of a assets balance of Rs. 4,255,871, 6 liabilities balances and 20 income balances shown in the financial statements for the year under review could not be satisfactorily verified and monitored due to the non-submission of relevant documents, schedules and balance confirmation letters	That the appropriate evidence will be presented in the future.	Appropriate evidence should be submitted.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

	Reference to Laws, Rules and Management Decisions Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Act Section 23 (a) of the National Environment Act, No. 47 of 1980, as amended by Acts No. 56 of 1988 and No. 53 of 2000.	An environmental protection license had not been obtained for the Sungawila Waste Management Center and sewage system, which are maintained and operated by the Pradeshiya Sabha.	Environmental license have been applied	An environmental protection license should be obtained.
(b)	Paragraph 14.01 (f) and (g) of Chapter XXIV of the Institutions Code of the Democratic Socialist Republic of Sri Lanka	Disaster loans of Rs. 3,250,000 had been provided to 13 officers without obtaining irrevocable promissory	Accepted.	The Establishment Code should be followed.

		notes for conversion of pension.		
(c)	Public Administration Circulars			
(i)	Public Administration Circular No. 26/92 dated 19 August 1992	The state emblem was not used on 6 sabha vehicles.	That action will be taken to affix state emblems to the bodies of vehicles.	Action should be taken as per the circular.
(ii)	Section 3.1 of the Circular No. 30/2016 of the Secretary to the Ministry of Public Administration and Management dated 29th December 2016	A fuel combustion test had not been conducted on 06 vehicles.	That tests are being carried out.	Action should be taken as per the circular.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of expenditure over Revenue of the Sabha for the year ended 31 December 2024 amounted to Rs. 2,259,421 as compared with the excess of expenditure over revenue amounted to Rs. 11,789,264 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

	2024				2023			
Source of Revenue	**Estimated Revenue**	**Revenue billed**	**Revenue collected**	**Total Arrears as at 31 December**	**Estimated Revenue**	**R evenue billed**	**Revenue collected**	**Total Arrears as at 31 December**
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,551,200	852,640	932,790	80,150	858,400	607,190	807,650	408,850
Rent	27,957,100	23,851,886	23,883,899	2,012,857	20,554,415	18,281,261	18,918,649	1,980,844
License fees	694,540	599,466	627,416	27,950	1,147,560	348,787	458,487	220,600
Other Revenue	73,771,590	49,461,616	48,800,610	661,006	4,412,260	4,409,483	4,258,622	643,629
Total	104,974,430	74,765,608	74,244,715	2,781,963	26,972,635	23,646,721	24,443,408	3,253,923

- There were mathematical unreconciled in the above information submitted for audit by the Secretary of the Pradeshiya Sabha.

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Sabha are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	**Rent**		
	Action had not been taken to recover Rs. 1,348,221 due from 09 tenants for renting out beef shops from 2006 to 2011.	Efforts will be made to recover it in 2025.	Action should be taken to recover the arrears of revenue.
(b)	**Court fines and Stamp duty**		
	The court fines receivable from the Chief Secretary of the Provincial Council and other authorities as at 31st December 2024 were Rs. 23,557,700 and stamp duty was Rs. 9,500,106.	Accepted.	Should be taken to bring in the due revenue.

3. Operational Review

3.1 Performing of Functions Enacted by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
Although by-laws can be enacted to carry out 23 main matters under Section 126 of the Pradeshiya Sabha Act, by-laws were not in place for 10 main matters as at 31st of December 2024.	Accepted.	Action should be taken to enact by-laws for key issues.

3.2 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation

Although the two rear door windows and the left side window of the backhoe loader had been broken in previous years, an investigation had been conducted in accordance with Section 104 of the F.R. regarding the relevant damage and no steps had been taken to recover or cut off the loss.	Investigations are underway.	Financial regulations should be followed.

3.3 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the Human Resources Plan had planned to hold 10 training workshops covering 10 subjects based on priority during the year 2024, covering 21 days throughout the year, none of training program had been conducted and proper approval had not been obtained for the training plan.	That will be correct in the future.	Training workshops should be held according to the plan.
(b)	Action had not been taken to transfer ownership of 44 lands worth Rs. 77,282,000, including 18 lands occupied by the Pradeshiya Sabha, 20 cemeteries and 06 play grounds, to the Pradeshiya Sabha..	That the necessary steps are being taken to transfer the land.	Action must be taken to transfer the ownership.
(c)	105 institutions related to 07 industrial sectors that required environmental licenses had obtained trade licenses, of which 42 institutions were operating without obtaining environmental licenses, and the sabha had lost nearly Rs. 168,000 in revenue due to non-issuance of licenses.	Environmental licenses will only be issued to institutions that are required to obtain environmental protection licenses.	Institutions that require environmental protection licenses should be surveyed and licenses issued.
(d)	Without being included stock register 286 units of goods related to 11 items handed over to the Pradeshiya Sabha on 10 December 2021 through the Pibidemu Polonnaruwa project 3,2,1 inch GI pipes and 16mm coiled steel, had been used for various purposes , and	That action is being taken to include the stock in the registers.	Should be included in the stock registers.

	as of 31 December of the year under review, a balance of such unissued goods remained in the warehouse.		
(e)	The Rifaipura Electronic Library building, which was built at a cost of Rs. 3,868,099 without a suitable location for construction and without a proper environmental factor study, was constructed adjacent to the public cemetery.	That the naming of places has been done by the political authority.	Suitable locations should be identified and buildings should be established.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
In accordance with the Asset Management Circular No. 2/2017 of the Deputy Secretary to the Treasury dated 21st December 2017, no steps had been taken to take over the ownership of two vehicles during the year under review.	That work is being done to take over the ownership.	Action should be taken to take over ownership.

3.5 Idle or underutilized Property, Plant and Equipment

13 asset items, including 08 asset items worth Rs. 179,863,914 and 05 un assesed asset items, owned by the Pradeshiya Sabha, remained idle for a period of 02 to 08 years without being utilized due to various reasons.	Accepted.	Assets should be utilized.

3.6 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	There were 17 vacancies for 11 different posts including Secretary of the Pradeshiya Sabha, Ayurvedic Medical Officer, Development Officer, and there was a excesses of 08 officers for the posts of Health labour and Library Assistant.	The Department of Local Government has been informed.	Approvals must be obtained to fill vacancies and for excesses employees.

(b)	Twelve (12) officers serving in the Pradeshiya Sabha in positions such as Library Assistant, Road labour, Health and Water labour were performing duties related to the posts of Management Service Officer, Revenue Inspector, Librarian, Pharmaceutical Compounder and Office Assistant that were not related to their regular posts.	They have been deployed based on the needs of the existing service in the sabha.	Should be employed in permanent positions.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
07 development activities not included in the action plan were carried out during the year under review at a cost of Rs. 36,467,018, while 05 planned development activities were not completed during the year under review and the action plan had not been prepared with due attention and in a useful manner.	That will be correct in the future.	Action should be carried out in accordance with the plan.

4.2 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
Although an Internal Audit Officer was appointed and a report was submitted to the General Assembly at the end of every month in accordance with 1.3 of the North Central Local Government Commissioner's Circular No. 4/2015 dated 18th of March 2015, sufficient internal audit had not been conducted and support had not been provided to carry out the functions and tasks of the institution.	That will be corrected.	Action should be taken according to the circular instructions.

4.3 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
During the check of the budgeted and actual expenditure of the Sabha for the year under review, the entire allocation of Rs. 2,112,750 provided for 13 expenditure items had been saved and the allocation provided for 84 other expenditure items had been saved in the range of 10 percent to 99 percent, that is Rs. 3,800 to 5,608,530, thus the budget document had not been used as an effective financial guide	That the difference has occurred for various reasons.	The budget should be used as an effective financial guide.

4.4 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
The Sungawila Waste Management Center, built with a provision of Rs. 167,493,875 from the Ministry of Provincial Councils and Local Government, was not operated due to insufficient waste for the Kawshima machine and was instead producing compost using human labor.	Accepted.	The machine should be utilized.

4.5 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
The Pradeshiya Sabha had not identified and implemented sustainable development objectives, programs and criteria in accordance with the Sustainable Development Act No. 19 of 2017.	That program will be identified and allocated in the coming year.	Actions must be taken in accordance with the objectives and programs set out in the Act.