

Godakawela Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 24 February 2014 while Financial Statements relating to the preceding year had been submitted on 25 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 22 September 2014.

1.2 Qualified 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 Godakawela Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Following statements which should be submitted along with the set of Financial Statements in accordance with Paragraph 21 of Sri Lanka Public Sector Accounting Standard 01 had not been submitted.

- (i.) Cash Flow Statement
- (ii.) Summary of Important Accounting Policies

1.3.2 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a.) Although the balance of the loan obtained from the Local Loans and Development Fund for the construction of the Library and the Health Centre had been Rs.9,846,268 at the end of the year under review, amount shown as the loan balance of the Local Loans and Development Fund in the main Ledger was Rs.6,435,803 and therefore, Loan Capital had understated in a sum of Rs.3,410,465 in the Balance Sheet and it too had been erroneously accounted under Asian Development Bank Grants.
- (b.) Interest payment of Rs.367,119 relevant to the preceding year included in the Interest Payment of Rs.1,245,817 made for the loans of the Local Loans and Development Fund during the year under review, had been debited to Expenditure Head of the year 2013 by

an error, while a further interests amounting to Rs.60,638 payable for the year under review had not been accounted.

- (c.) A sum of Rs.205,653 payable to the Balavinna Concrete Yard had been deducted direct from the Stamp Fees receivable to the Sabah as revenue on account of Stamp Fees through the Department of Local Government and remitted to that Institution. Due to that, the sum of Rs. 205,653 to be accounted as Stamp Fees Revenue had not been accounted during the year under review.
- (d.) An income of Rs.2,412,509 and expenditure amounting to Rs.2,422,205 relevant to the Trading Account had not been accounted in that account during the year under review.

1.3.3 Accounts Receivable

Staff Loan balance totalling R. 67,900 were outstanding to be recovered to the Sabah Fund from 05 officers and employees who had been interdicted or left on transfers.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Rules framed under Section 184 of the Pradeshiya Sabha Act No. 15 of 1987 and published in the Extra Ordinary Gazette Notification dated 08 June 2005	- Members Allowance amounting to Rs. 15,000 had been paid to three Members contrary to relevant rules
(b.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
----- Financial Regulation 371 (2) (c)	- Advances valued at Rs.378,000 relevant to 05 instances had not been settled according to the Regulations.

1.3.5 Unauthorized Transactions

Advances amounting to Rs. 260,000 had been paid out of Sabah Fund on behalf of 13 Members, on the basis of recovering from the Members Allowance, without any prior approval.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of operational revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.2,073,127 as compared with the corresponding excess of operational revenue over recurrent expenditure for the preceding year amounted to Rs.6,725,944.

2.2 Analytical Financial Review

When compared with the preceding year, the operational results of finance for the year under review had been reduced by 69 percent and it was mainly due to the increase in the recurrent expenditure and decrease in the other revenue relating to the year under review, when compared with those for the preceding year.

2.3 Revenue Administration

2.3.1 Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue is shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,852	3,604	(752)
(ii)	Lease Rent	7,163	6,430	733
(iii)	Licence Fees	570	539	31
(iv)	Other Revenue	5,900	17,272	(11,372)

2.3.2 Rates

Outstanding arrears of Rates relating to Rakwana Sub-office at the end of the year under review had been Rs.179,478.

2.3.3 Lease Rent

While a sum of Rs. 131,955 had been in arrears as at 31 December 2013 out of 03 trade stalls in the Rakwana Public Market Complex, trade stalls No. 24, 25, 29, 30 and 31 had not been tendered for the year 2013 as well, and had been closed down without any action being taken to derive income.

2.3.4 Acreage Tax

While a sum of Rs. 62,644 was outstanding from 211 individuals as Acreage Tax in arrears for a period ranging 01 year to 05 years as at 11 March 2014, date of audit, steps had not been taken to revise the charges through a physical verification of land.

2.3.5 Land Tax

Any income had not been received for the year 2013 from the land belongs to the Sabah situated behind the Telecom Centre. While the balance in arrears at the beginning of the year had been Rs.10,000, a problematic position had been arisen with regard to ownership of this land claiming by the lessee since 03 August 2010.

2.3.6 Advertisement Boards Charges

Following observations are made.

While a sum of Rs. 268,317 was outstanding to be recovered from 11 Institutions with regard to the Advertisement Boards displayed within the area of authority of the Sabah after obtaining licenses, for the year 2013, any adequate steps had not been taken to recover those arrears. The Sabah had not introduced any satisfactory scheme for the recovery of Advertisements Boards Charges beyond the acceptance of payments made by the relevant parties after visiting the Sabah or for removal of unauthorized boards.

At a sample examination carried out with the Revenue Overseer of the Sabha on 10 March 2014, with regard to Advertisement Boards displayed on either sides of the road from Godakawela up to Madampe Junction along the Ratnapura road, it was revealed that 13 trading stalls were displaying name boards without obtaining proper approval from the Sabha. Although 04 trade stalls had paid the relevant charges thereafter, 09 trade stalls were displaying the name boards continuously, without the Sabah approval.

2.3.7 Water Charges

While Water Meters had been fixed for only 58 consumers, out of the 317 water consumers of the Rakwana Water Project, a nominal charge of Rs.100 only had been recovered from the balance consumers due to inadequate supply of water.

2.3.8 Court Fines and Stamp Fees

(a.) While action had not been taken to identify the Court Fines Revenue receivable for the year under review, a sum of Rs.1,024,667 received up to October 2013 from the Pelmadulla District Magistrate Court and a sum of Rs.502,039 received from the Embilipitiya District Magistrate Court up to February 2013 only had been recorded as at 31 December 2013.

- (b.) Action had not been taken to identify and prepare the registers, get down the money and account for the stamp Fees receivable through the Registrar General of Land after March 2013.

2.3.9 Industrial Taxes

A Survey had not been carried out up to 05 March 2014, date of audit, to identify the Business entities established within the area of authority of the Sabah liable to pay Industrial Taxes, Business Taxes and Trade license Fees. Registers had been maintained on the basis of categories of taxes collected.

2.3.10 Stalls Rent

Arrears of Stall Rent amounting to Rs.12,950 was due to be recovered as at 31 December 2013 from the lessee of the Stall No.29 of the Rakwana Public Market Complex and an agreement too had not been entered into with the lessee.

2.3.11 Other Revenue

While haphazard Three-wheeler Parks were seen to a large extent in the area of authority of the Sabah, a systematic scheme had not been implemented to derive a monthly or annual income after providing facilities, having marked specific places and enforced of by-laws.

3. Operating Review

3.1 Operational Inefficiencies

According to the running charts relating to the Bako Loader belong to the Sabah, it had been engaged in service for 1301 machine hours as 1102 machine hours for Sabha works and 199 machine hours on hire to private sector during the year under view. Running charts for those works had not been subjected to any supervision of a responsible officer. Although works valued at Rs.2,425,590 had been performed for Sabha works in 283 instances on Chairman's approval, it was observed that those works had not been confirmed by estimates prepared by a technical officer and approvals of the Sabha. Completion reports of works or any other relevant files too were not furnished to audit.

3.2 Contract Administration

A sum of Rs.196,392 had been made for 72.75 Squares at the rate of Rs.2,699.55 per Square for cleaning the walls and applying two coats of paints under 6th Item of Work relating to the buildings in the Godakawela Weekly Fair estimated to cost a sum of Rs. 236,865.

Following matters were revealed at the physical examination carried out on 14 March 2014.

- (i.) While walls had not been cleaned properly, only one coat of paint had been applied except the Ayurvedic Building.
- (ii.) Accordingly, a sum of Rs. 65,703 had been over paid as one coat of paint only had been applied for 48.677 Squares.
- (iii.) Although it had been estimated a sum of Rs. 148,475 for applying paint twice after cleaning 55 Squires under item 6 of the estimate relevant to this work, payments had been made for work performed to the extent of 72.75 squares exceeding the estimate.

3.3 Environmental Management

A number of constructions had been made in the middle of the canal way disturbing the splendor of the Godakawela City and damaging the water reservation area of the Dombakola Canal flowing across the City. In terms of the order of the Minister of Defense published in the Extra Ordinary Gazette Notification No. 1662/17 dated 14 July 2010, the land where these constructions had been made is a Reservation and therefore any temporary or permanent construction should not be made. Although any activity in this land should be done subject to conditions to be laid down by the Chief Executive Officer of the Land Reclamation and Development Corporation, any such approval had not been obtained. It was observed in audit that not only damages to the water reservation, but also disturbance to the city splendor are taking place through these continuous unauthorized constructions. Except the exchange of correspondence between the parties responsible, taking legal action against these unauthorized constructions had been delayed.

4. Accountability and Good Governance

4.1 Audit Queries not replied and un-resolved

An adequate Internal Audit had not been carried out with regard to Finance and Stores in terms of the Set of Regulations 5(7) (Finance and Administration) of Pradeshiya Sabah -1988.

4.2 Budgetary Control

- (a.) Excess expenditure amounting to Rs. 4,999,496 had been incurred over the provisions made available for Expenditure Head 309.

- (b.) While provision amounting to Rs. 191,000 made available for 26 Items of Expenditure for the year under review had been saved without incurring any expenditure, there was an underutilization of provisions amounting to Rs. 8,660,801 relating to 69 Items of Expenditure.

5. Systems and Controls

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Special attention of the Sabah is needed in the following areas of controls.

- (a.) Accounting
- (b.) Budgetary controls
- (c.) Revenue Administration
- (d.) Contract Administration
- (e.) Environmental Protection