

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 18 March 2015 while Financial Statements relating to the preceding year had been submitted on 24 February 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 26 June 2015.

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 Godakawela Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended and Cash Flows in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a.) Capital Interest amounting to Rs. 618,972 adjusted for the loan received from the Local Loans and Development Fund for construction of the Library and the Health Centre hadn't been taken to accounts.

- (b.) Although revenue totalling Rs. 2,417,445 had been identified as Rs. 1,949,795 in deploying the Bako Machine belongs to the Sabha on development work of the Sabha and as Rs. 467,650 through hiring out, the revenue adjusted to the Main Account from the Commercial Account had been Rs. 2,004,260 and thereby revenue amounting to Rs.413,185 had been understated.
- (c.) Provision under Creditors had not been made for expenditure amounting to Rs.48,600 relevant to the year under review.

1.3.2 Accounts Payable

Action had not been taken to settle a sum of Rs. 506,477 that had been outstanding to be settled since prior years included in the Creditors balance.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.9,779,362 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,073,126.

2.2 Revenue Administration

2.2.1 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	3,072	3,151	623
(ii)	Lease Rent	8,001	7,828	306
(iii)	Licence Fees	593	1,061	95
(iv)	Other Revenue	13,500	14,614	8,719

2.2.2 Performance in Revenue Collection

Although the revenue collected during the year under review relating to Rates and Taxes and Lease Rent, had been less than the estimated revenue, an increase of 10.33 was shown in collecting the overall revenue.

2.2.3 Rates

Following observations are made.

- (a.) While an arrears sum of Rs. 363,903 or 88 per cent of Rates was outstanding from 558 tax payers as at the date of audit on 25 February 2015, out of that there was an arrears amount of Rs.322,812 due from 405 rate payers living on two sides of the Ratnapura Main Road. There was a balance of Rs. 322,812 being 82 per cent, due from 83 rate payers who defaulted payments more than Rs. 1,000 per head.

- (b.) A sum of Rs. 248,087 was due from 326 rate payers in the area of authority coming under Rakwana sub-office as at 31 December 2014. Arrears balance 25 rate payers who had defaulted payment more than Rs. 2,000 per head amounted to Rs. 69,695.

2.2.4 Lease Rent

While a survey had not been carried out in order to identify the business entities located in the area of authority of the Sabha to recover Industrial Taxes, Business Taxes and License Fees, even as at 25 February 2015, date of audit, Revenue Registers had not been maintained according to the revenue collected on the basis of the business category relevant to the entity.

2.2.5 Water Charges

While an arrears sum of Rs. 108,821 was due from 267 consumers of the Rakwana Water Scheme managed by the Sabha, more than Rs. 500 per head was outstanding from 54 consumers out them. Although two employees had been attached to this Water Project, it was observed that fixing and maintenance of water meters had not been properly done and a pleasing procedure was not in operation for the recovery of water bills in arrears.

2.2.6 Acreage Tax

While a sum of Rs. 57,906 was due from 244 individuals as Acreage Tax in arrears as at 31 December 2014, it was observed that, a sum of Rs. 30,902, being 53 per cent was relevant to 27 individuals who had to pay more than Rs. 500 per head. According to the Acreage Tax Register of the Rakwana Sub-office, Acreage Tax of Rs. 22,726 was outstanding from 54 consumers as at 31 December 2014.

2.2.7 Court Fines

Court Fines Receivable as at the end of the year under review from Embilipitiya Magistrate Court after July 2013 and from Pelmadulla Magistrate Court for December 2014 had not been identified and entered in the registers.

2.2.8 Leasing out Properties

- (a.) In terms of provisions in the Circular No. CL/2009/07 dated 09 March 2009 assessed rent should be revised at least once in 05 years. Without taking to consideration the assessment made by the Valuation Department during the year 2009 and without obtaining are-assessment at present in terms of the circular too, the stalls belong to the Sabha had been leased out for an amount less than the assessed rent during the year 2015 as well, on the basis of a Sabha decision.
- (b.) While an agreement should be entered into according to the format introduced through the letter No. C.L.G. /A/01 dated 10 December 1998 when leasing out properties and it had been informed to take action to renew the lease agreement annually. However there had not been entering into agreement between the Pradeshiya Sabha and the stall holders annually. Only the revised rent to be recovered from the stallholders had been informed and revised rent had not been recovered after the year 2013 up to the time of inspection in February 2015.

3. Operating Review

3.1 Management Inefficiencies

A sum of Rs.50,000 was outstanding to be recovered from 03 officers who were interdicted from service and left on transfers according to the Staff Loans Register.

3.2 Improper Transactions

In terms of Circular No. C.L.G. 1./2009 (Amendments) dated 22 December 2009 of the Commissioner of Local Government, Combined Allowance could be paid to Heads of Local Authorities and Members only for journeys made directly connected with administrative work to be performed outside the area of authority of the Local Authority However, a sum of Rs. 92,500 had been paid as Combined Allowance to Members out of

the Sabha Fund during the year 2014 without any mention with regard to the own duty or approval for the duty. Evidence supporting necessity for those journeys or approval were not furnished to audit.

3.3 Operational Inefficiencies

Although the Balavinna Land (Farm) belongs to the Land Reform Commission had been used by the Sabha over a long period had been developed as a farm, it was observed that, there had been a rapid decrease in income of the farm. It was observed in audit that there was no satisfactory supervision with regard to the income and maintenance and that there is a risk of losing that to the Sabha.

3.4 Environmental Problems

An active intervention is not taking place with regard to the Madampe Fish Stall which had been permanently established that it belongs to the area of authority of the Sabha. Although the land preparation work relating to the proposed Fish Market Complex was commenced, it had been stopped half way at present. People living in the area are faced with a great inconvenience due to spoiled waste thrown out near the main road by the owners of fish stalls.

It was observed in audit that, it is the responsibility of the Sabha to intervene in maintaining existing fish market in order to maintain a favorable condition to the general public and the environment, but that responsibility is not fulfilled by the Sabha and that, any income is not received to the Sabha from this fish market which could be developed as source of principal income and not only that, it is existing at present without any supervision of the Sabha.

4. Accountability and Good Governance

Budgetary Control

Out of provision amounting to Rs. 2,581,641 made available for 07 Items of Expenditure for the year under review, entire provision had been saved without incurring any expenditure.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management