

Godakawela Pradeshiva Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 09 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 07 June 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Godakawela Pradeshiva Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) Fixed assets totalling Rs.295,700 purchased during the year under review had not been capitalized and as such the balance of the property, plant and equipment had been understated by similar amount.
- (b) The interest revenue relating to 10 fixed deposits accounts for the year under review had been understated by Rs.128,091.
- (c) Even though the agreements had been signed during the year under review the provisions for creditors totalling Rs.991,889 had been made for 02 works which commenced or not commenced of which the agreement period had elapsed. As such the capital expenditure for the year under review and the creditors as at 31 December 2017 had been overstated by similar amount.
- (d) The amount receivable of Rs.187,327 for the work of concreting Thelissaketuathura Road carried out on the provisions of the Provincial Council had not been brought to account and as such the balance of debtors as at 31 December 2017 had been understated by similar amount.
- (e) Even though, the over provisions of creditors relating to 02 works completed in the year 2016, totalling Rs.1,326,946 should be eliminated from the creditors account, only a sum of Rs.1,194,651 had been eliminated. As such the balance of the creditors account as at 31 December 2017 had been overstated by Rs.132,295.

1.3.2 Accounts Receivable

It was failed to recover the outstanding loan balances totalling Rs.97,380 as per the staff loans register due to dismissed from the service, interdictions, station transfers, deaths and retirements.

1.3.3 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 1646	The Daily Running Charts of 03 vehicles belonging to the Sabha had not been furnished to audit for a period ranging from 01 year to 03 years.
(b) Public Administration Circular No.30/2016 dated 29 December 2016.	Fuel consumption test in respect of 11 motor vehicles belonging to the Sabha had not been carried out.
(c) Extra -ordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988. By-law under No.05 under of Part IV (b)	It was informed to remove or to regularize of 23 unauthorized constructions included in the Register of unauthorized constructions. Nevertheless, those constructions had not been removed or regularize even by April 2018 but the Sabha had not taken action to remove those constructions.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.14,475,978 as compared with the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.12,889,563.

2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	6,223,607	6,419,784	6,093,202	3,101,940	2,912,219	6,872,398	4,589,686	2,948,339
Lease Rent	7,850,458	7,163,848	7,106,582	405,952	8,443,567	6,767,896	6,346,572	369,572
Licence Fees	1,153,200	1,410,043	1,459,693	-	1,169,200	1,172,157	1,114,407	-
Other Revenue	14,335,487	14,919,263	10,651,425	18,101,700	10,592,466	9,875,095	10,560,263	11,453,969

2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue with the revenue collected for the year under review showed an increase in the revenue item of licence fees by 27 per cent and the revenue collected with regard to revenue items such as rates and taxes, lease rent, service charges, warrant charges and fines, other revenue and contribution of the Government had decreased by 02 per cent, 09 per cent, 16 per cent, 87 per cent, 05 per cent and 18 per cent respectively as compared with the estimated revenue.

2.2.3 Rates and Taxes

(a) Rates

The balance of arrears of rates as at 31 December 2017 amounted to Rs.2,953,562 and it included the receivables totalling Rs.53,778 from 12,136 units brought forward for over a 03 years period. The action of the Sabha for recovery of those arrears had been at a weak level.

(b) Acreage Tax

The balance of arrears of acreage tax as at 31 December 2017 amounted to Rs.80,047 and it included the receivables totalling Rs.56,437 from 65 units older than 05 years.

2.2.4 Other Revenue

The following matters were observed.

- (a) The revenue from plantations of pepper and coconut about 02 acres in the Balawinna Farm belonging to the Sabha for the period from January to 30 September 2017 amounting to Rs.279,263 and Rs.20,280 respectively. The coconut crop had not been plucked after March 2017 and it was revealed at the spot check that pepper cultivation

also was not maintained properly. Despite that, a large revenue could be earned by deploying adequate employees and maintaining the plantation activities with due supervision, the Sabha had not paid attention thereon.

- (b) The Sabha had failed to recover arrears of lease rent totalling Rs.155,075 in respect of the years 2015 and 2016 from 02 fish stalls in Rakwana area. Even though, those properties had been sold by the persons who maintained two fish stalls to other party, the Sabha had failed to confirm the clear ownership of respective property and as such the legal action thereon could not be initiated.

2.2.5 Court Fines and Stamp Fees

The following matters were observed.

- (a) Action had not been taken to identify court fines recoverable from District Courts, Embilipitiya and Palmadulla in respect of the period from August 2014 to December 2017.
- (b) Action had not been taken to identify and recover the stamp fees receivable from Land Registry, Embilipitiya for the year 2017 and from the Land Registry, Ratnapura for the period of 03 years from the year 2015 to 2017.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of Public health, public utility services, public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act, are given below.

(a) Activities carried out outside the Annual Plans

As per the budget of the year 2017, it was planned to implement 11 development proposals of which gross estimated cost totalling Rs.5,350,000. But no project whatsoever out of that had been executed during the year under review, while 11 other development projects of which estimated cost amounting to Rs.5,790,864 had been implemented instead of that. However, it was informed to audit, that the development proposals included in the budget could not be implemented by the Sabha as it had to be carried out the work approved by the Commissioner of Local Government only.

(b) Solid Waste Management

The following matters were observed

- (i) Even though, a time table relating to the collecting of waste in the area had been prepared, action had not been taken accordingly. As such it was observed at the physical examination, that the garbage was collecting largely in both sides of the road. Action had not been taken to separate the waste as bio degradable and solid waste in collecting and disposing of waste and the garbage has been disposed

with digging of pits improperly. The sabha had failed to prepare a proper plan for management of waste so as to utilize the land entirely in extent of 03 acres which utilized for disposal of waste.

(ii) The land which used to disposing of waste was not belonging to the Sabha while activities to transfer those lands to the Sabha had remained at slow nature. Even though, the environmental recommendation relating to environment licence to be obtained for the place for which disposing waste had been received on 13 September 2013, it was failed to implement the respective recommendations and to obtain environmental licence even up to the end of the year under review. Therefore, it was observed that the waste has been disposed harmfully to the environment since several years.

(iii) In terms of Section 126 (ix)(b) of the Pradeshiya Sabha Act No.15 of 1987, the sewage and scavenging and recovery of charges thereon had been shown as a matter subject to the by-laws. Nevertheless, the Sabha had failed even by the end of the year under review to impose by-laws and to implement.

(c) **Sustainable Development Goals**

As the Sabha had not known the 2030 Agenda in respect of Sustainable Development Goals the long term plans for upgrading the livelihood and health of the people in the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

3.2 Management Inefficiencies

The land in which situated the Rakwana fair had not been vested to the Sabha and a security fence had not been constructed around the fair. It was observed at the site inspection, that the fair which was in dilapidated and unclean condition was not suitable to trade food items. Even though, the approval had been requested by the letter dated 22 March 2017 from the Assistant Commissioner of Local Government to renovate the fair under Upgrading of Community Infrastructure Facilities of the Local Government Institutions Capital Programme – 2017, the approval thereon had not been received even by 31 December 2017.

3.3 Operating Inefficiencies

Even though, the legal actions should be taken on the industries which had not obtained the Environmental Protection Licences in accordance with the National Environmental Act No.47 of 1980 as amended by the Acts No.56 of 1988 and No.53 of 2000 and the regulations imposed thereon, the Sabha had not followed a proper methodology to identify the industries which had not obtained those licences.

3.4 Assets Management

3.4.1 Assets not Transferred

Even though, 58 cemeteries belonging to the Sabha were existed as per the Budget for the year 2017, 55 cemeteries out of that had not been surveyed and transferred to the Sabha.

3.4.2 Idle Assets

Action had not been taken either to carry out required repairs of a tractor belonging to the Sabha which had not been used after April 2016 and take into operational level or to dispose even by 20 November 2017.

3.5 Procurements

Procurement Plan

A Procurement Plan had not been prepared for the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) Entire provisions of Rs.9,250,500 made for 26 Objects had been saved.
- (b) Excess provisions had been made for 08 Objects and as such the savings after utilization of provisions ranged between 86 per cent to 97 per cent of the net provisions relating to the respective Objects.

4.2 Audit and Management Committees

Action had not been taken to establish and implement the Audit and Management Committees.

5. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of controls.

System

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary Control
- (d) Solid Waste Management

Deficiency

- (i) Failure to identify expenditure.
 - (ii) Understatement of assets value in the accounts.
 - (iii) Understatement of revenue in the accounts.
- Non-recovery of due revenue.
Savings on provisions.
Method of disposing waste harmfully to the environment.