

Godakawela Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 28 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 29 June 2020.

1.2 Qualified Opinion

In my opinion, except for the effects of the 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 Godakawela Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Provisions of creditors of Rs.2,959,079 had been made for the year under review for a work which had not been contracted even by 26 May 2020.	The expenditure for the year should be correctly identified and brought to account.	The quotations for the respective works had been obtained under limited quotations and further action will be taken after receiving the approval of the Engineer-Local Government for the recommendation of the Technical Evaluation Committee.
(b) Two works valued at Rs.2,108,635 carried out during the year under review had not been capitalized.	The increases of non – current assets relating to the year should be capitalized.	It will be capitalized in preparing accounts for the subsequent year.
(c) Despite that the cost of the construction of waste storage centre had been capitalized, the advances paid of Rs.550,000 had been brought to account as capital expenditure and as such the capital expenditure had been overstated by similar amount.	The expenditure relating to the work and the settlement of advances should be brought to account correctly.	Action will be taken to recover all relevant payments in the final payments in completion of the work of the project.

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| (d) | Over provisions of creditors Rs.306,383 relating to the preceding years had not been adjusted in the accounts. | Over provision of creditors should be credited to the accumulated fund. | Action will be taken to settle the creditors balances in preparing accounts of the year 2020. |
| (e) | As per the confirmation of the bank balances, the value of the fixed deposits as at the end of the year under review amounted to Rs.12,877,742 whereas the value had been shown in the financial statements as Rs.12,570,092 and as such a difference of Rs.,307,650 was shown. | The values shown in the financial statements should be reconciled with the confirmation registers. | The subject officer had been instructed to rectify relevant errors and to prepare accounts in preparing the financial statements for the year 2020. |

1.4 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	Recommendation	Comments of the Accounting Officer
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Action had not been taken on lapsed deposits totalled Rs.734,779.	Action should be taken in terms of Financial Regulations.	Action will be taken to solve this problem in subsequent year.
(b) Public Administration Circular No.30/2016 dated 29 December 2016. Paragraph 4.3	Without obtaining a report from a qualified Mechanical Engineer in respect of the reasonableness of the quotations, the backhoe machine and a cab vehicle had been repaired by incurring Rs.707,290.	Action should be taken in terms of the Provisions of Circulars.	Action will be taken to obtain reports on reasonableness of quotations in the repair works in future.

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 2019 amounted to Rs.7,637,639 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,754,407.

2.2 Revenue Administration

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

Source of Revenue	Estimated Revenue	2019			2018			
		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	6,177,172	6,112,142	6,283,514	3,095,327	6,853,464	6,474,707	6,000,039	3,821,378
Lease Rent	10,287,881	9,193,405	9,173,523	572,020	7,682,640	8,293,506	8,175,115	269,543
Licence Fees	1,815,200	1,580,136	1,590,598	-	1,611,200	1,821,562	1,819,199	-
Other Revenue	23,589,982	23,896,676	35,474,542	19,364,418	12,948,536	13,881,927	29,884,906	14,761,666
	<u>41,870,235</u>	<u>40,782,359</u>	<u>52,522,177</u>	<u>23,031,765</u>	<u>29,095,840</u>	<u>30,471,702</u>	<u>45,879,259</u>	<u>18,852,587</u>

2.2.2 Rates and Taxes

Audit Observation

The balance of the arrears of rates amounting to Rs.2,857,308 as at the end of the year under review had included 339 assessment units totalling Rs.1,330,680 remained for over 03 years. The Sabha had not taken action to recover those arrears in terms of Section 158 of the Pradeshiya Sabha Act No.15 of 1987.

Recommendation

Prompt action should be taken to collect revenue recoverable to the Sabha.

Comments of the Accounting Officer

A part of the arrears had been recovered by mobile programmes and by restraining of properties during the year 2019, and further action will be taken to recover the balance amount of arrears.

2.2.3 Trade Stall Rent

Audit Observation

A sum of Rs.100,063 remained in arrear for over 05 years relating to 03 trade stalls had not been recovered.

Recommendation

Action should be taken to confirm the security of the assets of the Sabha and to recover revenue recoverable expeditely.

Comments of the Accounting Officer

There was no possibility to confirm the legal ownership of the trade stalls and as such it was referred to the General meeting and the proposals were passed to write off above amount from the books. The above decision had been submitted for the approval of the Governor.

2.2.4 Court Fines and Stamp Fees

Audit Observation

Court fines and stamp fees identified as receivables from Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs.8,312,159 and Rs.8,577,052 respectively.

Recommendation

Action should be taken to identify the revenue receivable to the Sabha and to recover.

Comments of the Accounting Officer

The stamp fees were received at present and action will be taken to recover court fines.

2.2.5 Licence Fees

Environmental Licences

Audit Observation

Ten institutions identified as that should be obtained environmental licences had not obtained licences and 09 environmental licences which had to be renewed had not been renewed in the years 2018 and 2019. As such a revenue of Rs.76,000 had been deprived of by the Sabha.

Recommendation

Action should be taken to issue licences to all institutions who should obtained environmental licences in accordance with due procedure.

Comments of the Accounting Officer

According to the surveys in the year 2019, the relevant entrepreneurs had been informed to obtain environmental licences.

2.3 Advertisement Hoardings Revenue

Audit Observation

A survey had not been carried out to identify the advertisement hoardings displayed in the authoritative area of the Sabha and the Sabha had not recovered a sum of Rs.81,487 receivable relating to 3 permanent hoardings .

Recommendation

Action should be taken to recover revenue receivable to the Sabha.

Comments of the Accounting Officer

The letters in respect of recovery of arrears had been referred to the respective institutions in several times and prompt action will be taken to recover arrears.

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 and Public roads and the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) Action Plan

Audit Observation

Even though an action Plan had been prepared for the year under review, no proposals whatsoever had been included in the action plan in respect of the development of authoritative area and upgrading the welfare facilities that provided for the people.

Recommendation

The development proposals envisaged to execute during the year should be included to the Annual Action Plan.

Comments of the Accounting Officer

The development proposals and the welfare services relating to the authoritative area has been included to the action plan prepared for the year 2020.

(b) Sustainable Development Goals

Audit Observation

Even though, the Sabha had aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans through the global indicators for that objectives to upgrade the livelihood and the health of the people of the authoritative area of the Sabha had not been prepared.

Recommendation

Sustainable Development plans should be prepared and executed.

Comments of the Accounting Officer

The Sustainable Development plan for the year 2020 had been prepared.

3.2 Human Resource Management

Audit Observation

The loan balances totalling Rs.61,798 relating to 05 officers remained outstanding for a period ranging from 02 years to 20 years due to the officers interdicted, resigned from service, deceased and station of transfers had not been recovered even by 31 December 2019.

Recommendation

Action should be taken to recover relevant loan balances

Comments of the Accounting Officer

Action will be taken to recover outstanding balances.

3.3 Operating Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken either to remove or to regularize 04 unauthorized constructions identified during the year under review.

Formed action should be taken in respect of unauthorized constructions.

The owners of the unauthorized constructions identified had been informed to regularize the unauthorized constructions and they had purchased the necessary applications thereon at present.

3.4 Assets Management

Failure to Perform Maintenance and Repairs

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Two tractors in repair condition and not utilized for running for over 03 years had not been repaired, while a meter board only had been fixed for one tractor out of that in May 2018 by incurring Rs.27,300.

The vehicle repairs should be done in an updated manner.

The repairs could not be done due to non-availability of spare parts required for 2 tractors and the repairs will be done as the spare parts are available in the market at present.

(b) Action had not been taken to dispose a cab vehicle discarded from running.

Action should be taken to dispose idle assets.

The disposal activities will be done after nominating the officer of Godakawela, Divisional Secretariat who performs as the Chairman of the Board of Survey appointed for the disposal of the cab vehicle.

3.5 Procurements

Supplies and Services

Audit Observation

Recommendation

Comments of the Accounting Officer

A sum of Rs.195,000 had been paid to a printing institution to print 3000 waste container bags purchased by incurring Rs.84,000 in March 2019. Accordingly the total expenditure thereon amounted

In execution of projects, the attention should be paid in respect of economy and effectiveness and action should be taken with due planning.

The respective institution had stated that at least 7000 covers should be purchased to take order of printing of covers. Therefore the printing of covers had to be made from another institution in the first instance.

to Rs.279,000. But 9000 printed covers had been purchased in April 2019 for a sum of Rs.292,500 from the same institution. As action had not been taken with due planning a loss of Rs.181,500 had been incurred in purchasing of waste container bags in March.

Subsequently, more covers were required and action has been taken to purchase printed covers at minimum price from the previous institution.

**4. Accountability and Good Governance
Unresolved Observations**

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Even though two trade stalls of the Rakwana Trading Complex had been taken back to the Sabha in the years 2007 and 2015 due to the arrears of trade stall rent, action had not been taken either to recover arrears of trade stall rent of Rs.78,285 as at that date or to institute legal actions against the lessees.	Action should be taken to confirm the security of the assets of the Sabha and recover revenue receivable expeditely.	There was no possibility to confirm the legal ownership of these trade stalls. As such it was referred to the General meeting and the proposal was passed to write off above amount from the books. The decision has been submitted for the approval of the Governor.
(b) Action had not been taken by the Sabha to identify the responsible parties for the surcharge amount of Rs.37,866 paid to the Employees Trust Fund Board which included in the unsettled advances since for a long period and to recover.	Action should be taken to settle the surcharge amount.	The Sabha approval had been obtained to pay this amount from Sabha Funds and it was submitted to the Assistant Commissioner of Local Government.
(c) The Sabha had failed even by the end of the year under review for formal vesting of ownership of 37 lands allocated for the buildings and cemeteries belonging to the Sabha.	Action should be taken to discuss with the Divisional Secretary and to acquire the ownership of the lands.	Even though the requests had been made to the Divisional Secretary in several times, the ownership of those cemeteries had not been vested to the Sabha up to now.