

Godakawela Pradeshiya Sabha

Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 23 March 2017 and the financial statements for the preceding year had been presented on 26 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 14 July 2017.

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 Pradeshiya Sabha as at 31 December 2016 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 expenditure of Rs.35,625 relating to the year under review paid in the year 2017 had not been adjusted to the expenditure and the creditors for the year. As such the expenditure and the creditors for the year under review had been understated by similar amount.

1.3.2 Accounts Payable

Under the National Plan of Economic Development of “Dorin Dorata Gamin Gamata” a sum of Rs.9,597,505 should have been paid by the Sabha for 08 projects implemented by the Sabha in the year 2014. But, respective liabilities had not been settled even by 11 November 2016.

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

The following non-compliances with laws, rules and regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
-----	-----
<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 446 (2)</p>	<p>Even though, the cash book should be balanced daily, the two cash books maintained by the Sabha had not been balanced daily.</p>
<p>(b) Public Administration Circulars No.26/92 dated 19 August 1992 and No.26/92 (1) dated 03 August 1994 and the Circular No.01/2002 dated 25 February 2002.</p>	<p>The State emblem and the name of the Sabha had not been stenciled on the vehicles belonging to the Sabha.</p>
<p>(c) Extra -ordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988. By-law No.05 under Part IV (b)</p>	<p>Only the notices had been sent to remove unauthorized constructions or to regularize in respect of 10 constructions shown in the Register of unauthorised constructions by April 2016. If necessary action had not been taken by the owner to remove that</p>

unauthorized construction after the period specified, action should be taken to remove the unauthorized construction. Nevertheless, action had not been taken accordingly even by 31 January 2017.

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 2016 amounted to Rs.12,889,563 as compared with the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.8,932,743 shown an improvement amounting to Rs.3,956,820 in the financial results as compared with the preceding year.

2.2 **Analytical Financial Review**

Increase of 02 items of revenue by Rs.4,229,721 and decrease of 02 items of expenditure by Rs.2,328,677 had mainly attributed for the increase of financial results by Rs.3,956,820.

2.3 **Revenue Administration**

2.3.1 **Estimated Revenue, Actual Revenue and the Arrears of Revenue**

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
-----	-----	-----	-----
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	2,912	6,872	2,948
Lease Rent	8,444	6,274	370
Licence Fees	1,169	988	58
Other Revenue	48,257	42,050	14,085

2.3.2 **Performance in Collection of Revenue**

A comparison of the estimated revenue with the revenue collected for the year under review showed an extensive decrease in lease rent revenue, service charges, warrant charges and fines and contribution of the Government by 25 per cent 43 per cent, 63 per cent and 16 per cent respectively.

2.3.3 **Rates and Taxes**

The following observations are made.

- (a) The objections from 57 persons had been received for the assessment notices sent in the year 2016 on the assessment of rates made relating to the properties of the authoritative area of the Sabha dated 03 December 2014. Accordingly, the rates and taxes had not been recovered in respect of the properties belonging to the authoritative area of the Sabha identified from the year 2011, even though 05 years had elapsed by the year under review.
- (b) A balance of arrears of rates amounting to Rs.1,749,500 had existed as at 31 December of the year under review.

2.3.4 **Lease Rent**

The following observations are made.

- (a) Even though, the entertainment tax of 15 per cent from the sales value of the tickets of the circus shows and musical shows should be recovered according to the Gazette No.1947 of the Democratic Socialist Republic of Sri Lanka dated 23 December 2015, a sum of Rs.79,200 had been under recovered from a circus show held in the authoritative area.

- (b) The Gazette Notifications had been published in every year in respect of impose of acreage tax and recovery of tax, but the recoveries had not been made properly and as such sums of Rs.62,312 and Rs.13,903 had remained recoverable relating to the preceding year and for the year under review by 30 September 2016 respectively. That had been a 22 per cent increase as compared with balance of arrears as at the end of the preceding year.

2.3.5 License Fees

In collecting of business tax, industries tax and licence fees for the year 2016 according to the Gazette No.1947 of the Democratic Socialist Republic of Sri Lanka dated 23 December 2015, the tax and fees should be charged from every business/ industry maintained in any of the premises within the authoritative area mentioned in the Gazette. Nevertheless, a survey had not been conducted to identify the places for which had not been recovered tax.

2.3.6 Other Revenue

The following observations are made.

- (a) A sum of Rs.489,825 had been under recovered from 04 institutions as contrary to the recovering charges in constructing telecommunication transmission towers according to the Schedule V of the amendments made to the Directives of Planning and Buildings of the Urban Development Authority 1986 published in the Extra Ordinary Gazette No.1597/8 of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009.
- (b) A sum of Rs.165,500 had to be recovered by the Sabha by 10 March 2017 from 05 institutions in respect of the advertising hoardings displayed in the authoritative area during the years 2015/2016.
- (c) Even though, the sewerage and scavenging service and the recovering fees thereon had been shown as a matter subject to the by-laws in terms of the Section 126(ix)(b) of the Pradeshiya Sabha Act No.15 of 1987, the Sabha had failed to impose and implement by-laws on sewerage service even by 10 November 2016.

2.3.7 Court Fines and Stamp Fees

The following observations are made.

- (a) Even though, the court fines recoverable to the Sabha amounting to Rs.8,824,687 had been received by the Provincial Treasury by 21 October 2016, the Sabha had failed to get reimburse said money even by May 2017.
- (b) The Sabha had failed to recover stamp fees amounting to Rs.7,677,721 recoverable from the office of the Land Registry Embilipitiya for the year 2016 and to obtain respective schedules for the year 2016 from the office of the Land Registry Ratnapura.

3. Operating Review

3.1 Performance

Even though, provisions totalling Rs.5,100,000 had been estimated and the approval had been obtained for 24 identified projects under physical planning, roads and land and buildings as capital expenditure according to the Budget for the year 2016, 15 projects out of that had not been implemented during the year 2016. As the instructions mentioned in the letter No.CLG/01/2016 of the Commissioner of Local Government dated 18 January 2016 it was informed to implement the future development programmes after obtaining the relevant approval through the Commissioner/ Secretary. Nevertheless, the relevant approval for 06 industries amounting to Rs.7,663,636 which sent by the Sabha for the approval from August to December 2016 had not been granted even by 31 December 2016.

3.2 Management Inefficiencies

Even though, the estimate amounting to Rs.621,651 for construction of a guard room and a store room for the security of the Balawinna farm and to facilitate the control of the farm belonging to the Sabha had been referred to the approval of the Commissioner of Local Government and even nearly 02 years had elapsed the relevant approval had not been granted.

3.3 Operating Inefficiencies

Even though, the period of the Council had ended from 15 May 2015 according to the Gazette Notification No.1907/50 dated 27 March 2015, a sum of Rs.290,000 comprising Rs.220,000 as total members allowance for the month of May 2015 for 14 members and Rs.70,000 as total fuel allowance had been paid and as such a sum of Rs.145,000 had been overpaid.

3.4 Solid Waste Management

The following observations are made.

- (a) The garbage collected by the Sabha had been disposed of into a large pit which dug in the garbage disposing place and the pit had been covered with the soil taken out from the pit once in 03 days.
- (b) The place in which disposing garbage was not belonging to the Sabha and the vesting of that land to the Sabha was remained at a slow nature. Even though, the relevant environmental recommendation which should have been obtained for the garbage disposing place had been received on 13 September 2013, the Sabha had failed to implement the relevant recommendations and to obtain the Environmental Licence even up to the end of the year under review. Therefore, it was observed that the garbage was disposing as unfavourable to the environment since several years.

4. Good Governance and Accountability

4.1 Budgetary Control

The following observations are made.

- (a) The entire provisions totalling Rs.3,453,500 made for 25 Objects in the year under review had not been utilized.
- (b) Out of the total provisions amounting to Rs.3,666,072 made for 25 Objects in the year under review, the savings had ranged from 45 per cent to 99 per cent.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

System	Observation
-----	-----
(a) Accounting	(i) Not identified expenditure. (ii) Non-furnishing of schedules.
(b) Revenue Administration	Non-recovery of due revenue.
(c) Budgetary Control	Savings on provisions.
(d) Solid Waste Management	Methodology of disposing garbage not favourable to the environment.