

Godakawela Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 27 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 27 May 2019.

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 2018 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	Comment of the Accounting Officer
(a) Related to the year under review there were no adjustments for Rs. 125,583 Court fines deficit bills.	Accounts should be properly adjusted.	Most receivables are accounted as excess receivables because the double entry of the accounting cannot be recognized.
(b) Fixed deposit interest income for the year under review had overstated by Rs. 317,410.	Accounts should be corrected by making adjustments.	In preparing future financial statements, only the relevant interest of the year will be properly calculated and accounted.
(c) According to the financial statements at the end of the year under review there were Rs. 112,380 differences between the balances of the financial statement and balances of the supporting documents.	Account balances must be stated correctly in the financial statements and relevant supporting documents.	The reasons for the changes have been identified. Action will be taken to correct the documents.

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	Comment of the Accounting Officer
(a) Public Administration Circular No. 30/2016 dated 29th December 2016	Fuel consumption testing was not carried out in 12 vehicles owned by the council.	Action should be taken in terms of the circular.	Fuel inspections have been scheduled for all vehicles before May 15.
(b) Paragraph 02 (iv) of the Sabaragamuwa Local Government Commissioner Circular on "Tax on Sale of certain Lands" dated 1st June 2005	Two land auctions in the area without entering into an agreement that the seller will pay to the council as soon as the land is sold, with a record containing details such as the selling price, deed number etc. Approval for this had been granted.	Action should be taken in terms of the circular.	Agreements for land block arrangements have failed, and work is currently underway to sign those agreements.

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 2018 amounted to Rs.3,751,407 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.14,475,978.

2.2 Revenue Administration

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

The information relating 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	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st
(i) Rates and Taxes	Rs. 6,853,464	Rs. 6,474,707	Rs. 6,000,039	Rs. 3,821,378	Rs. 6,223,607	Rs. 6,419,784	Rs. 6,093,202	Rs. 3,101,940
(ii) Rent	7,682,640	8,293,506	8,175,115	269,543	7,850,458	7,163,848	7,106,582	405,952
(iii) License fee	1,611,200	1,821,562	1,819,199	-	1,153,200	1,410,043	1,459,693	-
(iv) Other Revenue	12,948,536	13,881,927	29,884,906	14,761,666	14,335,487	14,919,263	10,651,425	18,101,766

2.2.2 Assessment and Taxes

Audit observation	Recommendation	Comment of the Accounting Officer
(a) The total outstanding balance of the 48 units for more than three years amounted to Rs. 279,569 in the balance of arrears of Rs. 1,571,747 as at December 31, 2018. The performance of the Council was poor in recovering those deficit balances.	A systematic and expeditious program to collect arrears of income should be planned and implemented.	The Revenue Administrator Vacancy has now been completed and a revenue collection plan has been prepared. Accordingly, action will be taken to collect revenue.
(b) There were Rs. 60,712 balances in respect of 60 units older than 5 years in the balance of the acreage tax of Rs. 82,945 as at December 31, 2018.	A systematic plan for collecting the deficit income should be formulated and implemented.	Arrangements are being made to conduct the Acreage Tax Inspection and to recover the arrears.

2.2.3 Rent

Audit observation	Recommendation	Comment of the Accounting Officer
Although two shops in the Rakwana shopping complex have been taken over by the council in 2007 and 2015 due to arrears of rent, Rs. 78,285 arrears of rent on that date had not recovered or legal action was taken against the taxpayer by the end of the year under review.	A systematic plan for collecting the deficit income should be formulated and implemented.	Please note that the shortage of both shops will be recovered in the future and legal action will be taken if the default is not paid.

2.2.4 License fees

Audit observation	Recommendation	Comment of the Accounting Officer
There were 20 entities to be obtained license but not licensed and four non-renewed entities in accordance with the National Environment Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000. Due to this, the council had lost Rs. 96,800 had be received and the council had not adequately fulfilled its responsibilities in the area of environmental protection.	Action should be taken to issue permits to all agencies that need environmental permits.	An on-site investigation is being carried out on industries that have not licensed.

2.2.5 Court fines and stamp fees

Audit observation	Recommendation	Comment of the Accounting Officer
Rs. 62,481 stamp fees to be received by the Chief Secretary of the Provincial Council and other Authorities as at 31st December 2018 had not been received by April 2019.	A systematic plan for collecting the deficit income should be formulated and implemented.	A letter has been sent to the Commissioner of Local Government of Sabaragamuwa Province requesting to take action to grant Rs. 62,481 stamp fees.

3. Operational review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act 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 are given below.

(a) Action Plan

Audit observation	Recommendation	Comment of the Accounting Officer
(i) Three development projects valued at Rs 1,650,000 during the year under review could not be implemented due to lack of funds.	The Council must work to make necessary allocations to reach the budgetary targets.	It is informed that these projects were not implemented as the funds were not sufficient.
(ii) The development plan, which was prepared for the period 2017 to 2021, had not been separately identified by the development projects expected to be carried out in each year.	The development plan should clearly identify each year's development projects.	Action has been taken to identify and include development projects that are expected to be implemented in each year in the development plan of 2019-2022.

(b) Solid waste management

Audit observation	Recommendation	Comment of the Accounting Officer
By the end of the year under review, the Council had failed to plan and implement a formal solid waste management program.	A formal solid waste management program should be planned and implemented.	A systematic program has been launched to regularize solid waste management. Under this process, garbage is collected and disposed separately.

(c) Sustainable Development Goals

Audit observation	Recommendation	Comment of the Accounting Officer
Although the Council is aware of the Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people of the area have not been prepared by the end of the year.	The Sustainable Development Goals should be properly identified and long term plans should be prepared.	Under this, a waste management project has been started at the Balavinna farm belonging to the Godakawela Pradeshiya Sabha.

3.2 Management inefficiencies

Audit observation	Recommendation	Comment of the Accounting Officer
By the end of the year under review, the House had not identified the parties responsible for the surcharge of Rs. 37,866 paid to the Employees' Trust Fund, which had not been included in the long-standing advances.	The relevant surcharge should be recovered from the officers who responsible.	Action will be taken to recover the surcharge.

3.3 Human Resource Management

Audit observation	Recommendation	Comment of the Accounting Officer
(a) Between 2006 and 2018, 12 employees who have been recruited on service contracts were already	Employees should be recruited regularly for approved posts.	All the 12 employees who have been recruited on service contracts are engaged in essential work and

employed, and Rs. 3,183,782 have been paid salaries and allowances from the council fund in 2018.

they have been requested by the Assistant Commissioner of Local Government of Ratnapura to make them permanent as they serve in approved positions.

- (b) Long standing Rs. 90,447 of loan balance of loan for employees of six employees, the balance had not been recovered by the end of the year under review. Action should be taken to recover outstanding debts. Necessary steps will be taken to recover this money in the future.

3.4 Asset Management

3.4.1 No maintenance and repairs

Audit observation

Recommendation

Comment of the Accounting Officer

Despite the request from the Commissioner of Local Government to reduce the rent of 4 residences of the Council servants due to lack of proper maintenance and repairs the Council had not paid any attention to repairing the relevant houses.

The official quarters of the House should be maintained properly.

The Council has taken measures to provide temporary repair to the houses as requested, and has made a request to the General Assembly and the Commissioner of Local Government to maintain the houses and to reduce the rent.

3.4.2 Non Acquired assets

Audit observation

Recommendation

Comment of the Accounting Officer

By the end of the year under review, the council had failed to formally take over the 37 lands reserved for the buildings and cemeteries.

Action should be taken to acquire the land.

Though the Pradeshiya Sabha is nominally owned by the 37 cemeteries owned by the Sabha, it is currently owned by the Divisional Secretary. Despite requests for a transfer, they were informed that they had not taken any responsibility.

3.5 Informal transactions

Audit observation

Recommendation

Comment of the Accounting Officer

Though Rs.15,500 advance to a private institution on May 8, 2018 to purchase T-shirts for health

Action should be taken to recover the money.

Legal action will be taken to recover the amount.

workers have been paid the T-shirt had not yet been sent by 10 May 2019 no action had been taken to recover the advance.

3.6 Procurement

3.6.1 Procurement Plan

Audit observation	Recommendation	Comment of the Accounting Officer
During the year under review Rs. 4,496,835 had been procured but no procurement plan had been prepared.	An annual procurement plan should be prepared.	A procurement plan will be prepared from the year 2019 and action will be taken to carry out procurement work as scheduled.

3.6.2 Contract Administration

Audit observation	Recommendation	Comment of the Accounting Officer
(a) Work on the Rakwana-Horamulla Obadakanda road near Polonella was completed on 31st December 2017 at a cost of Rs. 1,075,902. Due to the lack of proper filling of soil along the sidewall and the road, the concrete deck and concrete lane on the siding of the sidewall was broken by March 2018 and the condition was not rectified by February 2019. As a result, Rs. 96,497 expenditure on the relevant subject had been in vain.	Under the proper supervision, the shortcomings of the industry should be fulfilled to the correct standard.	The union requests a delay until the impact of a mining donation has been stabilized, and action will be taken to repair the block.
(b) Total Rs. 27,931 had been paid for unfulfilled work according to the sample test for 05 industries such as road shoulder filling, roll transportation and sideboards.	The industry must be properly supervised and over payments must be recovered.	Answer has not received.

4. Accountability and good governance

4.1 Budgetary control

The Sabha had failed to use the annual budget as an instrument of financial control due to the following matters.

Audit observation	Recommendation	Comment of the Accounting Officer
----- Out of the total amount of Rs. 2,984,400 allocated for 11 spending subjects, a percentage of 42 to 100 percent had remained.	----- Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	----- Allocations have been remained due to non-availability of vouchers for such subjects even though allocations were made for the expenditure of previous years.

4.2 Audit and Management Committees

Audit observation	Recommendation	Comment of the Accounting Officer
----- Steps have not been taken to establish and implement the Audit and Management committees.	----- Establishment and implementation of Audit and Management Committees.	----- Audit and management committees have been set up for 2019.