

**GomarankadawalaPradeshiya Sabha**  
**Trincomalee District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year 2019 had been submitted to audit on 22 June 2020 and the Summarized Auditor General's Report was sent on 26 August 2020 and the Detailed Management Report was sent on 26 August 2020 to the Chairman.

**1.2 Qualified Opinion**  
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In my opinion, except for the effect of the matters described in paragraph of Basis for Qualified Opinion, financial statements give a true and fair view of the financial position of the GomarankadawalaPradeshiya 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**  
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**(a) Accounting Deficiencies**  
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	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i)	Although the receivable bank interest income of Rs.309,394 relating to the previous year had been adjusted to revenue debtors, but the bank balance at the end of the year was understated due to non-adjustment of to the cash book.	The balance in the revised cash book should be adjusted to the final accounts.	Corrections will be made through journal entries when preparing the 2020 financial statements.
(ii)	Due to non-accounting of the direct deposits received by the bank, capital grants received had been understated by Rs.1,604,941 and recurrent grants understated by Rs.789,671.	The final financial statements must be properly prepared.	Corrections will be made through journal entries when preparing the 2020 financial statements.

**(b) Lack of Documentary Evidences for Audit**  
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**(a) Information not Furnished**  
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	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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	Required information for Rs.130,621 had not been submitted for audit.	The balance should be identified and	During the preparation of the accounts of this office for the years 2010 and

appropriate action thereafter, a deposit of Rs. 130,621.00 taken. has been recorded as such and as no schedule was found for that, further action was taken to bring that balance forward.

#### 1.4 Non-Compliance

##### Non-Compliances with Laws, Rules, Regulations and Management decisions

Reference to Laws, Rules, Regulations and Management decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No.15 of 1987			
(i) Section 159	No action had been taken to recover the arrears revenue of Rs.216,185 due at the end of the year under review.	Action should be taken to recover the arrears.	Action is being taken to collect all the arrears income due to the Sabha.
(b) Pradeshiya Sabha Regulations (Finance and Administration) of 1988 as published in the Gazette Extraordinary No. 554/5 of 17 April 1989			
(i) Regulation No. 217	The Sabha had not maintained a register for all lands and buildings.	Pradeshiya Sabha rules should be followed.	Arrangements are being made to carry out the declared functions with the assistance of the acting Revenue Inspector who is currently attached.
(ii) Regulation No. 218	All land and buildings were not inspected every year.	Pradeshiya Sabha rules should be followed.	Arrangements are being made to carry out the declared functions with the assistance of the acting Revenue Inspector who is currently attached.

(c) **Financial Regulation of the Democratic Socialist Republic of Sri Lanka**

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(i) Financial Regulation 110	Vehicle damages amounting to Rs.1,100,773 occurred on 02 occasions was not recorded in the damage register.	Financial regulations must be followed.	In both cases the vehicle received full insurance compensation and relevant officials were instructed to maintain a register for damages.
(ii) Financial Regulation 396 (c)	11 cheques amounting to Rs. 45,447 for more than 6 months had not been dealt with in accordance with the financial regulations.	Financial regulations must be followed.	Relevant cheques will be dealt with this year in accordance with the Financial Regulations.
(iii) Financial Regulation 571	Action had not been taken regarding 28 deposits of Rs.839,920 which were over 2 years.	Financial regulations must be followed.	Necessary steps will be taken this year in accordance with the Financial Regulations.
(iv) Financial Regulation 880	Officers who should keep security deposits had not been deposited employee securities.	Financial regulations must be followed.	Arrangements will be made to obtain securities deposit in this year from the officers who should keep security deposits.
(v) Financial Regulation 1645 (b) and 1646	Vehicle running charts of 07 vehicles had not been submitted to the Auditor General.	Financial regulations must be followed.	The officer in charge of the subject of vehicles has been instructed to submit the originals to the Auditor General from this year.

**2. Financial Review**

**2.1 Financial Result**

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs.450,562 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs.3,217,338.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Actual Revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	2019				2018			
	Estimated Revenue Rs.000	Billed Revenue Rs.000	Recovered Revenue Rs.000	Arrears as at 31 December Rs.000	Estimated Revenue Rs.000	Billed Revenue Rs.000	Recovered Revenue Rs.000	Arrears as at 31 December Rs.000
Rates and Taxes	50	124	124	-	50	31	31	-
Rental	3,386	3,639	3,180	459	2,165	3,336	3,647	188
License Fee	125	23	23	-	126	124	124	-
Other	3,358	3,887	3,226	660	1,404	2,259	2,259	5,453
	<u>6,919</u>	<u>7,673</u>	<u>6,553</u>	<u>1,119</u>	<u>3,745</u>	<u>5,750</u>	<u>6,061</u>	<u>5,641</u>

### 2.2.2 Rental

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	A total of Rs.48,350 is outstanding from 2012 up to now relating to 4 persons in renting out shops and houses.	Action should be taken to recover the arrears.	The Revenue Administrator has been instructed to take necessary action to recover all arrears expeditiously.
(b)	Ten of the existing shops were leased out without calling for tenders between 1990 and 2006 and 04 shops were not contracted for the year 2019. The arrears and fines collected for the year 2019 in respect of the four shops which were not contracted were Rs. 65,736.	Action should be taken to call tenders and prepare agreements for leased property and to recover arrears.	It is expected to look into the current situation and provide these shops to the buyers through a tender procedure in the future. The Acting Revenue Inspector has also been instructed to expedite the recovery of all arrears and fines.

### 2.2.3 License Fee

	Audit Observation	Recommendation	Comments of the Accounting Officer
	A survey of business and industry had not been conducted.	A business and industry survey should be conducted annually.	The Revenue Inspector is being deployed in the area to identify the trade, business and industry in the area and collect the due fees from them.

### 03. Operating Review

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#### 3.1 Performance

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Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

##### (a) By-Laws

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Although by-laws were to be enacted to fulfill 28 main matters under section 126 of the Pradeshiya Sabha Act, action had not been taken to approve by-laws even by 31 December 2019.	----- Necessary steps should be taken to identify and formulate by-laws as well as enforce them.	----- Also, the Hon. General Assembly passes five by-laws to be submitted to the Hon. Governor of the Eastern Province for approval and the decision is communicated to the Assistant Commissioner of Local Government.

##### (b) Action Plan

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- An Annual Action Plan for the year 2019 had not been prepared.	----- An Annual Action Plan should be prepared.	----- Action will be taken to prepare an action plan in the future.

##### (c) Issuing Environmental License

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Nine enterprises operating in the Sabha area were operating without obtaining environmental protection permits.	----- It should be Identified the enterprises which should obtain license and issue licenses and address environmental issues.	----- Identifying the industries that need to obtain environmental licenses and taking the necessary steps to issue environmental protection licenses to them is currently being implemented.

**(d) Sustainable Development Goals**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
The Sabha had not identified the Sustainable Development Goals and had not been made aware of them.	Action should be taken to identify and implement the Sustainable Development Goals.	Action will be taken to identify the Sustainable Development Goals in the future to achieve those targets.

**3.2 Management Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Regarding the shops in KiwlaKadawala, it is mentioned in the shop rent register but the council does not have any other documents confirming the ownership and the Sabha did not receive rent.	Appropriate action should be taken immediately to generate revenue.	The Revenue Inspector was instructed to pay special attention to this matter and to take action to lease out this shop so that the Sabha could obtain revenue by verifying the ownership.

**3.3 Human Recourse Management**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) There were 11 vacancies related to 06 approved posts.	Action should be taken to fill the vacancies.	Although we have been making requests to the relevant authorities regarding the acute shortage of staff in the Sabha for more than three years, it has not been resolved so far.
(b) Distress loans of Rs. 228,800 related to retired and deceased officers were continued without recovery.	Appropriate action should be taken expeditiously.	It is revealed that the personal file of Mr. PB Wimalasiri, a former Secretary of the Pradeshiya Sabha has not been handed over and is in his custody. Until the officer receives the pension, he will not be able to recover the amount currently outstanding, and distress loan Balance of Mr. HAP Ranjana who passed away is Rs. 147,600.00, there is still a court case regarding his death and the death certificate could not be obtained as a

final verdict has not been given. Measures will be taken to reduce this arrear with the gratuity.

### 3.4 Assets Management

#### 3.4.1 Failure to Ensure Security of Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The lessee of the Karuwalawatta shop had carried out a construction in a part of the Pradeshiya Sabha land on which the shop was located.	Appropriate action should be taken immediately for unauthorized constructions.	It was later revealed that the lessee of the KaruwalaGahawatta shop had made a construction using a portion of the council land and Steps will be taken to take necessary legal action.

#### 3.4.2 Assets not Transferred the Ownership

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
No action had been taken to take over 05 vehicles used by the Pradeshiya Sabha.	Action should be taken to take over the ownership of the vehicles.	As it has been purchased under the lease system, the registration rights are in the name of the Secretary to the Ministry. Necessary action will be taken in the future to change the registration rights of ground vehicles bearing 49-0303, 46-4196 and WP 8815.

#### 3.4.3 Under Utilized Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) A cab owned by the Pradeshiya Sabha has been idle since 2004 and a tractor since 2008.	Appropriate action should be taken immediately.	Steps will be taken to remove vehicles that are not in running condition as they are in a state of disrepair.
(b) A Tractor, a cab and a tractor trailer had been out of use from the year 2019.	Appropriate action should be taken immediately.	Although allocations were made in the 2020 Budget for the repair of Cab, some of that provision had to be used for corona control activities. However, if the remaining funds are sufficient to repair the vehicle, steps will be taken to repair it this year and the other tractor and trailer mentioned are expected to be repaired and used in future.

### 3.5 Procurement

#### 3.5.1 Procurement Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A procurement plan had not been prepared for the year 2019.	A procurement plan should be prepared.	Steps will be taken to prepare a procurement plan for the coming year and to act accordingly.

### 3.6 Operational inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) During the year <b>2019</b> , the Sabha had distributed chairs and other items to the Community centers and Funeral Aid Societies by spending a sum of Rs.301,304 from the Member Provisions. Out of the items distributed, equipment and chairs worth Rs. <b>159,300</b> were kept at the house of the relevant Member. Furthermore, a year had elapsed since the distribution of equipment worth Rs. 122,880, but it had not been used. 18chairs worth Rs. 21,420had been misplaced.	All parties must act in a transparent manner and maintain proper documentation.	This situation has arisen due to the fact that, it has been discussed in the Sabha that the items purchased under the provisions of the Members should be issued by the Member of each Division to the relevant Community Centers and Funeral aid Societies and some of the Members hold certain posts in the Community Centers and Funeral Aid Societies.However, all Members will be informed regarding the audit observations and necessary steps will be taken to immediately distribute the items to the designated community centers and funeral aid societies.



- (b) Although income records must be maintained separately to record income receipts, the revenue registers for vehicle revenue, weekly market revenue and conference hall revenue had not been maintained. Proper records must be maintained for revenue. Relevant officers are instructed to maintain separate revenue records.

### 3.7 Contract Administration

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Audit Observation	Recommendation	Comments of the Accounting Officer
Five road development projects were carried out without such an agreement and Rs. 301,235 was paid for them without a final report of a technical officer.	In carrying out development work, proper agreement must be reached.	Although there are agreements, they have not been completed properly. It is acknowledged that these deficiencies have occurred due to the absence of an officer in charge of the subject and action will be taken to rectify those deficiencies.

## 4. Accountability and Good Governance

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### 4.1 Unresolved Observations and Unanswered Audit Queries

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Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Sabha had purchased office equipment amounting to Rs.283,998 under the provisions of the Ministry of Local Government and Provincial Councils as per the Establishment of front office Program 2017. The Ministry had also provided 03 sets of computers and accessories and a printer for the above program in the year 2018 but no such front office had been established and maintained even by 03 July 2020. And the equipment was being destroyed by now.	Work should be done to establish front offices and ensure the durability of the assets.	Due to severe staff shortages, the front office program could not be implemented at all. Out of the computer devices provided for the front office system, only the UPS and one monitor remain inactive and once sufficient staff is provided, arrangements can be made to establish a front office.

- (b) Although the amount of Rs. **317,870** charged by the Sabha from **08** members for providing motorcycles should be sent to the Department of National Budget, under the program of providing motorcycles on concessionary basis to the local government people's representatives to monitor the development activities as per the **2014** budget proposals, no such action had been taken even by 03 July **2020**.
- Action should be taken to send the relevant amount to the Department of Budget without delay.
- A sum of Rs. 317,870 charged for providing motorcycles to 07 local government representatives has been remained in the General Deposit account and necessary steps will be taken this year to look into the matter and send the money to the Department of National Budget.