

Gomarankadawala Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Gomarankadawala Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of Balance sheet as at 31 December 2022, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and National Audit Act No.19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Gomarankadawala Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and Relevant to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and Relevant to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are Relevant in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year, as per the requirement of section 6 (1) (d) (IV) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Audit fees has not been estimated and provided for during the year under review.	In preparing the accounts for the year 2023 it will be adjusted to the expenditure creditor account.	Accounts should be prepared correctly.
(b) Fixed deposit interest In the year under review had been understated by Rs.7,245.	The correction will be made in the preparation of accounts for the year 2023.	- Do -
(c) Stamp duty receivable for the year under review and stamp duty receivable of Rs.331,500 for the years 2020, 2021 were also not accounted for.	In preparing the final accounts for the year 2023, it will make adjustments to the accumulated fund and correct this error.	- Do -
(d) Goods received as donations amounting to Rs.408,244 were not taken into the financial statements as fixed assets.	That they will be accounted as fixed assets while preparing the final accounts for the year 2023.	- Do -

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of documents confirming title, fixed asset registry, inventories, board of survey reports and warehouse documents, 06 account balances worth Rs.128,966,966 as on 31st December of the year under review, could not be satisfactorily audited.	The documents are updated promptly.	Accurate information related to account subjects should be submitted.

1.7 Non- Compliances

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

Below are the instances where laws, rules, regulations and management decisions were not complied with

	Reference to Laws, Rules Regulations etc	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshia Sabha Act No. 15 of 1987 Section 24	The roads constructed by the Sabha had not been inventoried and gazetted.	The work of updating the data on all the existing roads within the area of authority has already started, and in the future, necessary steps will be taken to inventory and gazette those roads.	All existing roads should be inventoried and gazetted.
(b)	Section 16(2) of the National Audit Act No. 19 of 2018	The performance reports to be submitted with the accounts had not been submitted by the Accounting officer.	The final accounts will be submitted along with the relevant performance report from next year.	It should be complied with the National Audit Act No. 19 of 2018.
(c)	Pradeshia Sabha (Finance and Administration) Rules, 1988			
(i)	Rule 193	While comparing the budgeted financial statements with the actual standard, statements of deficits/surpluses under each income subject and expenditure subject, along with explanations of facts should have been submitted to the audit, but it was not acted upon.	The officials concerned have been instructed to prepare a statement comparing the budgeted value of income and expenditure with the actual value, and that the report will be submitted for audit from the current year.	Pradeshia Sabha rule should be followed.
(ii)	Rule 218	Land and buildings at a cost of Rs.71,084,473 were not surveyed.	Necessary steps will be taken in the future to survey land and buildings annually.	Local council rule should be followed.

- (d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 1654 (b) 1646
- Daily running charts and monthly summaries of 08 vehicles of the Sabha were not submitted to the Auditor General.
- This omission has occurred due to the transfer of the vehicle subject to a newly appointed Development Officer and that it will be rectified.
- Financial regulations should be followed.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.225,135 as against the excess of recurrent expenditure over revenue amounted to Rs.1,951,382 in the preceding year.

2.2 Revenue Administration

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

According to the information presented relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs(000)	Rs(000)	Rs(000)	Rs(000)	Rs(000)	Rs(000)	Rs(000)	Rs(000)
Rates and Taxes	454	74	164	-	404	98	98	90
Rent	4,133	627	475	325	4,418	2,858	2,685	173
License Fees	253	33	33	-	187	18	18	-
Other revenue	638	1,324	2,252	150	3,157	3,335	2,901	1,078
Total	5,478	2,058	2,924	475	8,166	6,309	5,702	1,341

2.2.2 Performance in Revenue Collection

Audit Observation

Comments of the Sabha

Recommendation

Rent

As on December 31, 2022, there was an outstanding rental income of Rs.325,572, out of which the rental income amounting to Rs.173,392 was in arrears for many years.

Immediate actions are being taken to collect the arrears.

Arrears of rent should be recovered.

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below

3.1 Performance

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws should have been enacted to fulfill 28 main matters, but by December 31, 2022, the by-laws had not been enacted and 05 by-laws introduced by the Provincial Council had been adopted.	At present, attention has been paid on imposing and implementing by-laws Relevant to the areas of authority. Furthermore, Actions are currently being taken by the new revenue inspector to collect the revenue owed to the council by surveying the existing billboards in the area.	By-laws should be formally enacted.

3.2 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Considering the approved number of employees with the actual number of employees in the Sabha, there were 10 vacancies in 07 posts.	Although requests have been made from time to time to the relevant authorities regarding these employee vacancies, no reasonable solution has been found so far, by now a permanent revenue inspector has been assigned to our council.	Action should be taken to fill the vacancies.
(b) According to the Eastern Province Financial Circular PT/03/2021, arrangements were not made to collect Rs.60,000 security deposit from 09 officers who were required to give security.	The necessary arrangements to obtain the security deposit are currently being carried out.	Financial regulations and circulars should be followed.
(c) A loan balance of Rs.147,600 due from a deceased officer in the year 2007 remains uncollectable.	As further work related to the payment of pension of the deceased officer is currently being done, necessary steps will be taken to recover the balance of the loan when the gratuity is paid to him.	Financial regulations and circulars should be followed.

4. Accountability and Good Governance

4.1 Presentation of Financial Statement

Audit Observation	Comments of the Sabha	Recommendation
Although according to the Regional Council Finance and Administration Rules No. 168 of 1988, the details of the summary of accounts for the previous year and the accounts of each year along with payment vouchers and classification statements must be submitted by the authority to the Auditor General before 31st March of the following year, the accounts for the year under review had been submitted on 10th April 2023.	That this delay has occurred due to the absence of subject officers who are well knowledgeable in the preparation of financial statements	Accounts should be submitted on due date as per the circular.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget prepared for the year under review, when comparing the estimated income and expenses with the actual income and expenses, variations were observed from 52.64 percent to 107.79 percent in 05 revenue subjects and from 16.35 percent to 100 percent in 06 expenditure subjects, It was observed that the budget was not used as an effective controlling tool.	Since it is a low-income Sabha, due to non-receipt of income as planned by the budget expenses had to be managed, and that fact has affected the remaining budget allocations in expenditure head, That the budget will be implemented with proper management and control in the future.	budget should be prepared realistically.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
The Sabha did not identify the sustainable development objectives and goals and related criteria as per the Sustainable Development Act No. 19 of 2017.	Sustainable development goals that can be implemented at the local authority level will be identified and work will be done to achieve those goals in the future.	Focus should be given on identifying and achieving the Sustainable Development Goals to be achieved by 2030.