

Gomarankadawala Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Gomarankadawala Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of financial operations, cash flow statement for the year then ended and notes to the financial statements including material accounting policy information was carried out 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 2023 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 appropriate 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 appropriate 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 appropriate 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 Preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Audit fees of Rs.53,400 for the year 2022 and Provisions for the year 2023 were not shown in the financial statements.	The opening balances will be adjusted and corrected in the preparation of the 2024 financial statements	Accounts should be prepared correctly.
(b)	According to the Bored of survey report, the value of 40 water meters	In preparing the financial statements for 2024,	- Do -

worth Rs.317,200 was understated adjustments and corrections will
and the value of 07 30w LED bulbs be made
worth Rs.26,250 was overstated.

- (c) The value of 88 meters of water with a unit value of Rs.7,910 which had been used and returned of Rs.696,080 was not taken into account. - Do - - Do -
- (d) The meter charges value of Rs.1,786,479, which should have been collected in the provision of water supply related to Gomarankadawala and Medawachchiya water schemes, was not taken into account. - Do - - Do -

1.6.2 Documentary Evidences not made available for Audit

Subject	Amount Rs.	Unsubscribed Audit evidences	Comments of the Sabha	Recommendation
(a) Land and Building	121,412,631	Title deeds and fixed asset documents	All these documents will be prepared and submitted in the future	Accurate information related to account subjects should be submitted.
(b) Machinery and equipment	5,471,080	Fixed assets registry	- Do -	- Do -
(c) Computer accessories	3,310,131	Fixed assets registry	- Do -	- Do -

(d) Warehouse stock	2,444,734	Inventory records, warehouse registers	- Do -	- Do -
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1.7 Non- Compliances

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

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 24	The roads constructed by the Sabha had not been taken into inventory and gazetted.	The work of updating the data of all existing roads in the area of authority has already been started	Arrangements should be made for the roads to be inventoried and gazetted.
(ii) Section 126	No action had been taken to enact by- laws to generate income in the Sabha.	The necessary measures will be taken to enact by- laws in the future by looking into area to generate income within the area of authority.	It should be complied with the section of the Pradeshiya Sabha act.
(iii) Section 134	Developed areas within the area of authority were not specifically identified and no action had been taken to impose	As a developed area within our area of authority, a specific land area under the Gomarankadawala Grama Niladhari division has already	It should be complied with the section of the Pradeshiya Sabha act.

- rates and taxes. been identified.
- (iv) Section 159 Arrears of Rs.11,160,905 due at the end of the year under review had not been recovered. Due to the lack of a permanent revenue inspector, the revenue collection process was not conducted properly in the previous years. Arrangements should be made to recover the arrears of income.
- (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 Account Officer. No answers provided. Audit Act should be followed.
- (c) Local Authority Finance and Administration Rules, 1988 published in Extraordinary Gazette No. 554/5 dated 17th April, 1989
- (i) Rule 193 When comparing the budgeted financial statements with the perfect standard, the statements of deficits/surpluses arising under each revenue subject and No answers provided. Local Authority financial rules should be followed

- expenditure subject should have been submitted to the audit with explanatory notes, but this was not done.
- (ii) Rule 218 Land and buildings costing Rs.71,084,473 were not assessed every year. No answers provided Local Authority financial rules should be followed
- (d) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial regulation 138 Although all payments should be certified by a relevant authority, payments worth Rs.715,460 made on 06 occasions were made without approval. The shortcomings pointed out by the audit will be corrected in the future Financial regulations should be followed.
- (e) Ministry of Public Administration and Management Circular 02/2018 A human resource development plan was not prepared. In future it will be complied with. It should be complied with the circular of the Ministry of Public Administration and Management 02/2018.

(f) Circular No. 04/1994 of the Secretary of the Ministry of Justice and dated 18 February 1994. Every staff officer was required to declare his assets and liabilities annually, but this had not been act accordingly. Agree to follow the instructions given circular provisions. It should act upon the

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 2023 amounted to Rs. 2,510,982 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 225,135 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 by the Secretary of the Sabha 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	Estimated Revenue	2023			2022			
		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	600	381	381	-	450	74	164	-
Rent	1,000	924	842	407	4,133	627	475	325
Water charges	120	1,166	712	1,346	800	1,043	144	892
Other Revenue	200	329	149	330	638	1,324	2,252	150
Total	1,920	2,800	2,084	2,083	6,021	3,068	3,035	1,367

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The amount of Rs.17,864,790 in meter charges to be collected in providing water supply and Rs.1,346,234 in arrears in water charges, which have been pending for many years, have not been recovered.	No answers provided	Actions should be taken to recover the arrears.
(b)	The Sabha had prepared rules to regulate the Three-wheelers running in the area, and sufficient attention had not been paid regarding the fees to be charged,	No answers provided.	Existing sources of income within the area of authority should be regulated.

3. Operational Review

3.1 Performance

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Under Section 126 of the Pradeshiya Sabha Act, by-laws should have been enacted to fulfill 28 main matters, but by December 31, 2023, the by-laws had not been enacted.	The attention is currently paid on enacting by-laws appropriate to the area of authority.	By-laws should be formally enacted.
(b)	Although one of the main functions of a Pradeshiya Sabha is to regulate the land development activities carried out in the area of authority,	It will be implemented in the future	Land development activities should be regulated.

03 applications were received for the year 2020 and no applications were received for the remaining years.

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| (c) The Sabha did not have a proper plan for solid waste management, and the garbage collected in the Sabha area was collected without segregation and that garbage was dumped at the wildlife area of Kimbul Matiya, Goramankadawala. | That it will be implemented according to a plan in the future | A formal plan for solid waste management should be developed and implemented. |
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3.2 Procurement Management

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the procurement guidelines number 3.9.1, the financial position of the construction societies should be examined and selected by the procurement committee, but the societies were selected for the construction works without such examination.	That it will be complied with properly in the future	Project monitoring and planning should be conducted properly.
(b) The procurement process was not carried out by the Sabha for a financial value of Rs.952,875 in 10 procurement cases.	No answers provided	Procurement guidelines should be followed.

3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Considering the approved number of employees and the actual number of	Although requests have been made from time to time to the	Vacancies should be filled.

employees in the Sabha, it was revealed that there are 10 vacancies in these employee vacancies, no 05 positions. relevant authorities regarding these employee vacancies, no reasonable solution has been received so far.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments of the Sabha	Recommendation
In terms of Provincial Treasury Circular PT/18/2022 dated 15th December 2022 and in accordance with the Local Council Finance and Administration Rules No. 168 of 1988, details of the summary of accounts for the previous year and the accounts of each year with classification statements by the Related Officer on 28th February of the following year Although the accounts of the year under review were to be submitted to the Auditor General, they were submitted on April 22, 2024.	The accounts will be submitted on due date	It should be act as per the Circular

4.2 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
Although the Internal audits had been established, there were deficiencies in the implementation of internal audits as one officer could not be released full-time for the work due to the available staff vacancies.	Internal audit will be made independent	Internal audit should be formalized.

4.3 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget document prepared for the reviewed year, when comparing the estimated income and expenses with the actual income and expenses, there was a variation of 07 percent to 61 percent in 06 revenue subjects and 26 percent to 89 percent in 04 expenditure subjects.	It will be implemented with proper control	Budget should be prepared realistically.

4.4 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had identified 05 criteria related to the sustainable development objectives and goals included in the Sustainable Development Act No. 19 of 2017, and 03 of them were in operating condition. Key Performance Criteria (KPI) to evaluate the performance of those targets and their actual performance were not reported.	The sustainable development goals that can be implemented at the pradesiya sabha level will be identified and action will be taken to achieve those goals in the future.	Sustainable development objectives, targets and relevant criteria should be determined and documented. Performance should be reported accordingly.