Gomarankadawala Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Gomarankadawala Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, 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 sub-section 10 (1) of 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Gomarankadawala Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 this 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 Sub-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 to be prepared.

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 exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.

- Obtained 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 the internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluated 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 the Pradeshiya Sabha 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 Statement

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	An amount of Rs.632,750 received during the year 2024 had been deducted as debtor against the court fine of Rs.400,000 that had been provided as debtor provision for the months of November and December 2023, Accordingly, the actual arrears balance and accumulated fund had been understated by Rs.232,750.	It will be adjusted and corrected in the preparation of the financial statements for the year 2025.	Accounts should be prepared correctly.
(b)	Rs.2,852,454 payable in relation to 03 projects in the current year had not been accounted for under creditors.	- Do -	- Do -
(c)	The fixed deposit interest in arrears amounting to Rs.207,537 due at the end of the year had not been shown in the accounts.	- Do -	- Do -
(d)	The meter charges value of Rs. 1,523,031, which should have been collected when providing water supply in relation to the two water projects in Gomarankadawala and Medawachchiya, had not been taken into account.	- Do -	- Do -

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
As of December 31, st of the year under review, there was a difference of Rs.330,168 between the opening balance as per the final account and the opening balance as per the schedule in 05 account subjects.	Action will be taken to correct when presenting next year's financial statements.	Differences should be corrected and accounts reconciled.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the absence of ownership confirmation documents, fixed asset registry, stock valuation reports and store registry for 04 account subjects worth a total of Rs.156,795,151 stated in the financial statements, it was not possible to satisfactorily verify them.	Action will be taken to prepare and submit all these documents in the future.	Accurate information that can verify account balances should be submitted.

1.7 Non- Compliances
1.7.1 Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows

Reference to Laws, Rules and Regulations	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 inventoried and action had not been taken to gazette those roads.	The updating of data on roads has begun, and that necessary actions will be taken to gazette those roads in the future.	Action should be taken in accordance with the provisions of the Pradeshiya Sabha Act.

	(ii) Section 159	Action had not been taken to recover the arrears of Revenue Rs.9,039,778 due at the end of the year under review.	The necessary actions are already being taken to promptly collect the arrears of revenue.	Action should be taken in accordance with the provisions of the Pradeshiya Sabha Act.
(b)	Section 16(2) of the National Audit Act, No. 19 of 2018	The Accounting Officer had not submitted the performance reports that should have been submitted with the accounts.	No answers	Actions should be taken in accordance with the provisions of the National Audit Act.
(c)	The Pradeshiya Sabha Finance and Administration Rules, 1988, published in the Extraordinary Gazette No. 554/5 dated 17th April 1989			
	Rule 218	Land and buildings costing Rs.145,162,395 had not been assessed once in every year.	The necessary corrective measures will be taken in the future.	Actions should be taken in accordance with the Pradeshiya Sabha rules.
(d)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	Financial Regulation 138	Although all payments should be certified by a competent authority, payments worth Rs.715,460 made on 06 occasions were made without certification.	Action will be taken to correct it in the future.	Financial regulations should be followed.
(e)	Ministry of Public Administration and Management Circular 02/2018	A human resources development plan had not been prepared.	Action will be taken to prepare it in the future.	Action should be taken in accordance with the circular of the Ministry of Public Administration and Management.

(f)	Circular No. 04/1994 of the Secretary to the Ministry of Justice dated 18th February 1994	Although every staff officer is required to declare his assets and liabilities annually, this had not been done.	The necessary actions will be taken to ensure that things are done correctly in the future.	Action should be taken in accordance with the circular of the Ministry of Justice.

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 2024 amounted to Rs. 2,176,025 as compared with the excess of revenue over recurrent expenditure amounted to Rs.2,510,982 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
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	2024				2023			
Source of Revenue	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	650	425	535	297	500	381	381	407
Water charges	1,200	1,614	1,437	1,523	1,000	1,158	712	1,346
Other revenue	500	1.135	1,252	213	535	329	-	330
Total	2,350	3,174	3,224	2,033	2,035	1,868	1,093	2,083

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
As of December 31, 2024, there was an arrears rent income of Rs.296,752, of which Rs.173,392 had been outstanding for many years.	The Revenue Inspector has been informed and actions are being taken to collect the arrears rent income.	Actions should be taken to recover the arrears of rent.

3. Operational Review

3.1 Fulfilment of functions assigned by the Act

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 Public and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
No Actions had been taken to enact by-laws that could generate revenue within the Sabha under Section 126 of the Pradeshiya Sabha Act.	Necessary measures will be taken to enact by-laws in the future.	Action should be taken in accordance with the Pradeshiya Sabha Act.

3.2 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although land development activities within the area of authority should be regulated, not a single application was received for the years 2021 to 2024, and no such constructions were recorded in the unauthorized construction file maintained by the institution.	Since it is a rural area, the minimal level of building construction can be observed as a reason for this. However, a field inspection will be conducted to identify the construction and development activities carried out from time to time in the area and necessary actions will be taken in the future.	Land development activities should be regulated.
(b)	It was observed that the garbage collected in the Sabha area is collected without segregation and that the garbage is disposed of at the wildlife zone of Kimbul Matiyawa and Goremankadawala. In 2021, the Eastern Governor's Office had provided a provision of 1 million rupees for the compost project, but it was observed that the project was unsuccessful due to shortage of workers, insufficient machinery, and lack of proper training.	There is no large amount of waste collected within the Sabha area and the small amount of waste that is collected is mostly biodegradable and is therefore discharged to the uninhabited Kimbulmatiya area, and the necessary actions have been initiated to establish a waste management center at this location in the future.	Solid waste management should be carried out systematically.

3.3 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Sabha	Recommendation
(**a**)	Although a multi-purpose shredder was purchased for the production of organic fertilizer in 2021 at a cost of Rs. 485,500, it was abandoned by the end of 2024 without achieving the desired results.	The machine will be put into use after the waste management center is established.	Project activities should be reviewed and future work should be implemented.
(**b**)	Although a fuel combustion test was required to be conducted, the fuel combustion had not been inspected for 11 vehicles in the institution.	The Chief Secretary's Engineering Services Department has been notified to conduct fuel combustion tests on Sabha-owned vehicles.	Asset management should be formalized and carried out in accordance with the circular.

3.4 Resources released to other organizations

Audit Observation	Comments of the Sabha	Recommendation
According to Section 19(XII) of the Pradeshiya Sabha Act No. 15 of 1987, when a portion of the land or building belonging to the Sabha is given on a long-term lease basis for a period exceeding 03 years, the prior approval of the Minister in charge of Local Government Affairs should have been obtained. However, on the basis of long-term lease agreements for 20 years, Sino Lanka Power General Private Limited was given the right to install solar panels on the roof of the sabha building without the prior approval of the Minister in charge of the relevant subject.	Since the roof of the office building needed to be repaired, no agreements had been signed to install a solar power system, action had been taken as per the instructions of the Local Government Commissioner.	Agreements should be amended in a way that generates income and legal advice should be followed.

3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
Considering the approved number of employees in the sabha and the actual number of employees, it was revealed that there were 10 vacancies in 05 posts. Attention had not been given to filling these vacancies promptly.	Since recruitment has been suspended due to the government's policy decision not to make new appointments, it has not been possible to fill those vacancies.	Action should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Audit Observation	Comments of the Sabha	Recommendation
In accordance with Provincial Treasury PT/18/2022 circular dated 15th December 2022 and the Pradeshiya Sabha Finance and Administration Rules No. 168 of 1988, the accounts of each year along with the details of the summary of accounts for the previous year and payment vouchers and classification statements should have been submitted to the Auditor General by the Authority before 28th February of the following year, but the accounts of the year under review were submitted on 10th April 2024.	This delay has occurred due to the lack of subject officers, and necessary actions will be taken to submit the financial statements to the Auditor General on the due date from next year onward.	Action should be taken in accordance with Provincial Treasury circulars.

4.2 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
It was observed that the budget had not been used as an effective control tool as a variation of 2.32 percent to 150.92 percent was observed in 06 revenue subjects and 12.65 percent to 52.75 percent in 04 expenditure subjects when comparing the estimated income and expenditure with the actual income and expenditure as per the budget prepared for the year under review.	As it is a low-income Sabha, the lack of income as planned in the budget has resulted in the need to manage expenses, has resulted in more subject allocations being left over, and in the future, actions will be taken to implement the budget with proper management and control.	The budget should be prepared realistically.

4.3 Environmental Problems

Audit Observation	Comments of the Sabha	Recommendation
It was observed that due to the failure to take action in accordance with the provisions of the National Environment Act, wild animals have come onto the road to consume garbage and are blocking the road, causing problems for both the animals and the local residents.	No environmental problems have arisen in the Gomarankadawala area so far, and no complaints have been received from the public regarding such a matter.	Appropriate measures should be followed for waste disposal.

4.4 Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had identified 05 Sustainable Development Goals and Targets and related criteria included in the Sustainable Development Act No. 19 of 2017, of which 03 were in implementation stage. Key Performance Indicators (KPIs) to evaluate the performance of those targets and their actual performance had not been reported.	Sustainable development goals that can be implemented at the Pradeshiya Sabha level will be identified and action will be taken in the future to achieve those targeted objectives.	Sustainable development goals, targets and related criteria should be achieved.