

Galigamuwa Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Galigamuwa Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Subsection 172(1) of the Pradeshiya Sabhas Act, No. 15 of 1987 and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be presented in 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 financial statements give a true and fair view of the financial position of the Galigamuwa Pradeshiya Sabha as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 Principles 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 of the Sabha

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess 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.
- An understanding of internal control relevant to the audit was obtained 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 Sabha's internal control.
- Evaluate the 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.
- 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 Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the 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

The special provisions are included in relation to the following requirements specified in the National Audit Act, No.19 of 2018.

- (a) According to the requirement mentioned in Section 6 (i) (d) iii of the National Audit Act No. 19 of 2018, the financial statements of the Pradeshiya Sabha are consistent with the preceding year.

- (b) The financial statements presented includes the recommendations made by me in the previous year as per the requirement of section 6 (i) (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	Comment of the Sabha	Recommendation
(a) Due to the failure to offset the overpayment of loan instalments against the loan balance, the balance of the Local Loan Development Fund as at 31 December 2020 had been overstated by Rs.178,795.	Agreed.	Accuracy should be ensured in the preparation of accounts.
(b) Lands worth Rs. 8,995,000 received by the Sabha through partitioning lands into lots, 04 public wells and 18 additional lands and buildings had not been brought to account.	- Do -	- Do -
(c) Overprovision of Rs. 36,900 had been made for Audit fees.	- Do -	- Do -
(d) The value of Rs. 25,251,119 related to 07 completed works had not been brought to account.	That value will be brought to account..	- Do -
(e) Allowances of Rs. 197,000 applicable to the preceding years had been brought to account as the expenditure of the year 2022.	Failure to make provisions resulted in this situation.	- Do -
(f) Revenue of Rs. 58,850 received in the year 2023 in relation to the year under review had not been brought to account.	This will be corrected in the preparation of final accounts.	- Do -

1.6.2 Non-reconciled Control Account

Audit Observation	Comment of the Sabha	Recommendation
According to the register of fixed assets, the value of 05 items of account as at 31 December 2022 was not reconciled with the schedules by Rs. 1,757,606. Further, there was a difference of Rs.51,063 according to the balances of the subsidiary documents and the balances of the financial statements in relation to 03 items of revenue.	Action will be taken to correct the error.	The financial statement should be compatible with the source documents.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
No schedules had been submitted in respect of 04 items of account totalled Rs. 223,360.	Action will be taken to correct the matter.	Necessary information for audit should be provided.

1.7 Non-compliance

Non-compliance with laws, rules, regulations and management decisions.

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Sabha	Recommendation
(a) Local Government Reform Circular Guidelines			
(i) Paragraph xiii of Circular No. 02/2010	The Rates on property assessment which should be revised once in 05 years had not been so revised after the year 2007.	Once the new assessment is received, action will be taken accordingly.	Action should be taken in accordance with circulars.
(ii) Paragraph 7.4 (iv) of Circular No. 01/2010	Despite not attending the Sabha, the member's allowances of Rs. 570,000 had been paid for 17 members on 38 occasions when they were on leave which were not applicable to the local government and were not medical leave.	The relevant allowance will be paid after receiving medical reports in the future.	- Do -
(b) Local Government Commissioner Circular No. 2/2009 dated 07 October 2009	In excess of the maximum of 06 days applicable to the payment of combined allowances per month, combined allowances of Rs.40,950 had been paid to two drivers for 58 days in the year 2022.	Action has been taken to make payments based on the provisions in the Establishments Code.	Action should be taken in accordance with the Circular.

- (c) Declaration of 21 members had not provided initial assessment while 32 members had not submitted annual assessment and liability declaration from 2019 to 2022. All the members were informed to submit relevant declaration before 30 March each year. Action should be taken in accordance with the circular.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 20,703,379 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 16,415,924.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,333,025	3,784,449	3,275,828	894,361	2,760,395	2,518,601	2,256,024	729,485
Rents	5,094,230	6,663,132	6,659,532	528,746	4,415,000	5,188,019	6,036,752	647,026
License Fees	1,350,000	1,404,544	1,404,544	-	1,025,100	1,304,600	1,285,801	-
Other Revenue	<u>5,907,000</u>	<u>9,583,601</u>	<u>8,693,021</u>	<u>890,580</u>	<u>6,863,500</u>	<u>6,863,500</u>	<u>31,317,954</u>	-
Total	<u>14,684,255</u>	<u>21,435,726</u>	<u>20,032,925</u>	<u>2,313,687</u>	<u>15,063,995</u>	<u>15,874,720</u>	<u>40,896,531</u>	<u>1,376,511</u>

2.2.2 Performance in Collecting Revenue

Audit Observation

A sum of Rs. 24,442,383 was due from the items of revenue, including Rates, acreage tax, house rent and stamp duty as at 31 December 2022. That value included a balance of Rs. 2,871,378 overdue between 01 and 05 years and a balance Rs. 648,896 overdue for more than 05 years.

Comment of the Sabha

This observation is agreed upon. Action will be taken to minimize the outstanding amount.

Recommendation

Arrears of revenue should be recovered without delay.

3. Operating Review

3.1 Uneconomic Transactions

Audit Observation

Without g obtaining a certificate of non-using for disused vehicles, an expenditure of Rs. 8,685 had been paid for the revenue licences and Rs. 113,307 for insurance from 2014 to 2022 in respect of two tractors that remained unused since the years 2014 and 2018, and it was a fruitless expenditure.

Comment of the Sabha

Action will be taken to obtain the certificates of non-using.

Recommendation

Action should be taken either to repair and use, or to dispose of the unused vehicles.

3.2 Management Inefficiencies

Audit Observation

Comment of the Sabha

Recommendation

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| (a) Since 51 industries and businesses identified according to the annual survey had not been included in the register, the outstanding revenue was understated by Rs.100,000. | Surveys will be conducted annually. | Registers should be updated properly. |
| (b) The Certificate of Conformity had not been obtained for 673 applications out of 839 development applications received from 2015 to November 2022, in terms of Section 21 of the Urban Development Authority Act, No.41 of 1978. However, no legal action had been taken against those developed properties, which were in suing. | Observation is agreed upon. | Action should be taken in accordance with the Act. |
| (c) According to the financial statements as at the end of the year under review, the debtor balance totalled Rs. 68,922,360 included the balances of Rs. 1,546,416 overdue between 01 and 05 years, and the balances of Rs. 18,916,936 overdue for more than 5 years. | If it is confirmed that the balances will not be received, they should be eliminated. | Balances should be settled. |
| (d) According to the financial statements as at the end of the year under review, the sundry creditors balance of Rs. 57,461,798 included the balances of Rs. 2,744,777 overdue between 01 and 05 years, and the balances of Rs. 2,193,128 overdue for more than 05 years. | - Do - | - Do - |

3.3 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Without obtaining necessary approval for installing street lamps as per the guidance of the Secretary to the Ministry of Power and Energy, 2,745 street lamps had been installed	The Electrical Engineer and the Branch Manager were verbally informed in this regard.	Action should be taken in accordance with the guidance.
(b) An extent of 31.12 perches of land worth Rs. 4,668,000 to be transferred in a land auction to the Sabha for the public purposes had not been taken over.	That parcel of land will be transferred by a deed of gift.	The land should be taken over without delay.
(c) A sum of Rs. 124,000 remained outstanding from 301 members of 11 registered three-wheeler union as at 30 November 2022.	Vehicle parks will be established in collaboration with the Road Development Authority and charges will be levied thereafter.	Revenue should be generated.

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) A compact tailor valued at Rs. 2,000,000 received in the year 2016 remained idle from the date of receipt.	Due to the difficulty found in connecting, it has not been used.	Assets should not be left unused.
(b) No action had been taken either to take over the compactor worth Rs. 6,221,373 received in 2019 or to hand over the machine.	The transfer of the ownership of the machine will be done through the one-day service.	The machine should be taken over without delay.
(c) Two vehicles worth Rs. 1,750,000 owned by the Sabha remained inoperative from the year 2013.	Although they should be repaired on the decision of the Sabha, it has not been possible due to the shortage of spare parts.	The repair should be carried out without delay.

3.5 Human Resource Management

Audit Observation

- (a) There are 17 vacancies since the year 2019. As a result, the entire jurisdiction with 51 divisions had to be covered by a single Revenue Inspector.
- (b) Securities had not been obtained from 09 officers who should deposit securities in terms of Financial Regulations 880.

Comment of the Sabha

Notifications have been made with regard to the vacancies, and the filling vacancies is a matter beyond the control of our purview.
Observation is agreed upon.

Recommendation

Action should be taken to fill vacancies.
Securities should be obtained.