

Gampaha Pradeshiya Sabha - 2022

1. Financial Statements

1.1. Qualified Opinion

The audit of the financial statements of the Gampaha Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Statement of Assets and Liabilities as at 31 December 2022, Comprehensive Income Statement, Statement of Changes in Equity, Cash Flow Statement 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 the Provisions of the 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 Gampaha Pradeshiya Sabha as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

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 Sri Lanka Public Sector Accounting Standards for Local Authorities 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 further:

- 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 is also extended to examine the following, as far as possible and as far as necessary;

- 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 include 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

Unreconciled Control Accounts or Reports

Audit Observation	Comments of the Sabha	Recommendation
Rates Receivable of the Henarathgoda Sub Office had been Rs.30,155,042 as per Financial Statements and Rs.26,537,946 as per Age Analysis, thereby a difference of Rs.3,617,096.	Actions will be taken to submit accurate Age Analysis Reports after rectifying software faults.	Differences should be identified and corrected.

1.7 Non – Compliances

Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Law, Rule, Regulations	Non-Compliance	Comments of the Sabha	Recommendation
(a) Section 20 of the Rating & Valuation Act No.30 of 1946.	Rates had not been assessed after the year 2002.	New assessment will be implemented in Henarathgoda Area and the assessment work has not commenced in Galahitiyawa Area.	Assessment of Rates should be done promptly.
(b) Orders imposed by the Extra Ordinary Gazette No. 2155/8 and dated 24 December 2019, relating to Accounting Activities with regard to Financial Administration of Western Province Pradeshiya Sabhas.			
(i) No. 83(ii)	Separate Advances Account had not been maintained for staff loans of Officers and Staff of the Pradeshiya Sabha.	Such Account had not been maintained up to now since, it was not informed even by a circular.	Action should be taken to maintain a separate Advance Account for Staff Loans.

- (ii) No. 90 Income from Stamp Accounting had not been Stamp Fee and Fees and Court done on the Accrual Court Fines should Fines had been Basis since a recorded be accounted on the false shortage was Accrual Basis. accounted on the Cash Basis. shown.
- (c) Financial Regulations Actions had not Actions are being taken Deposits exceeding 571(1) and (2) of the been taken to to retain the deposits to 02 years, should be Democratic Socialist regulate Deposits be retained while regulated. Republic of Sri Lanka. amounting to refunding Tender Rs.27,476,264, Deposits or taking in to the Income. exceeding 02 years, as of 31 May 2023.

2. Financial Review

2.1 According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2022 amounted to Rs.8,036,241 as compared with the excess of revenue over expenditure amounted to Rs.13,806,233 in the preceding year.

2.2 Revenue Administration

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

As per the information presented by the Secretary, particulars relating to the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Revenue Source	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears Revenue as at 31st December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears Revenue as at 31st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes	20,211,200	24,576,548	20,537,105	42,978,575	31,661,200	20,893,840	20,803,104	38,939,132
(ii) Rent	8,303,400	7,578,365	7,734,024	2,700,683	8,986,000	6,672,872	6,535,556	2,998,138
(iii) License Fees	1,520,000	1,102,512	1,226,012	64,500	800,000	780,160	780,106	-
(iv) Other Revenue	14,211,838	16,515,843	16,515,843	-	109,725,000	79,472,392	79,472,392	-
	<u>44,246,438</u>	<u>49,773,268</u>	<u>46,012,984</u>	<u>45,743,758</u>	<u>151,172,200</u>	<u>107,819,264</u>	<u>107,591,158</u>	<u>41,937,270</u>

2.2.2 Revenue Collection Performance

Observations relating to Revenue Collection Performance are stated below.

Audit Observation	Comments of the Sabha	Recommendation
(a) For the year under review, billed Revenue of Rates amounted to Rs.24,576,548 and collected Revenue was Rs.15,717,367.	The total Revenue Collected had been Rs.20,537,105 and as a percentage, 83.56%.	Arrears Rates should be collected as per the Act.
(b) Arrears value of Rates as at the beginning date of the year under review, had been Rs.38,939,132 and collected amount was Rs.4,819,738.	There were no eviction officers and Revenue was at a low level due to economic crisis prevailed in the last year.	-do-
(c) Arrears balance as of 19 June 2023 for 29 shops relating to Henarathgoda Sub Office, had been Rs.1,023,409.	The Investigation Report of the Committee regarding that, has been forwarded to the Assistant Commissioner of Local Government.	Arrears shop rent should be collected.

3. Operating Review

3.1 Discharging the Duties 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 people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
157 Nos. Public Complaints relating to the year under review, had not been resolved.	There is a tendency of not being resolved indicated, due to various issues.	Public Complaints should be resolved.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
The Cab of the Sabha which was involved in an accident in the violent situation took place on the 09 May 2022, was valued for Rs.9,000,000 by the Valuation Department and though, Insurance Documents were handed over to the Company, the damage had not been replenished as at the 19 June 2023.	There had been no delay from the Sabha apart from the delays caused by the other organizations in replenishing the damage.	Damaged should be replenished.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The amount as per the Capital Grants Debtors Age Analysis, had been Rs.21,096,489 by the end of the year under review.	Relevant organizations have been informed in writing, regarding this.	Debtor Balances should be settled.
(b) Balance relating to 842 Creditors had been Rs.200,087,928 by the end of the year under review.	Creditor Balance had been Rs.94,779,056 as of 15 June 2023.	Creditor Balances should be settled.

3.4 Assets Management

Audit Observation	Comments by the Sabha	Recommendation
There were no Title Deeds or other legal documents to confirm the ownership of 127 Nos. Lands and Other Properties valued at Rs.700,275,500.	Being carried out according to the limits of the Annual Budget Provisions.	Actions should be taken to confirm the ownership of lands.

3.5 Human Resource Management

Audit Observation	Comments by the Sabha	Recommendation
Balance due from employees Rs.86,030 from one retired employee and Rs.86,100 from five employees who vacated office, were outstanding at the end of the year under review.	Actions have been taken to charge from the Gratuity, to send notice for recovery and to send justification report to Gampaha Assistant Commissioner of Local Government.	Outstanding loan balances should be recovered.