

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Gampaha Municipal Council for the year ended 31 December 2023 comprising the statement for assets and liabilities as at 31 December 2023 and statement of comprehensive income, statement for changes in equity, 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 the provisions of section 219 of Municipal Councils Ordinance (Chapter 252) and the National Audit Act No.19 of 2018. My comments and observations which I consider should be reported 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 Municipal Council as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards for the Local Authorities.

1.2 Basis for qualified Opinion

My opinion is qualified based on 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 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 the Sri Lanka Public Sector Accounting Standards for the Local Authorities and for such internal control as management determines 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 municipal council's financial reporting process.

As per Section 16(1) of National Audit Act No.19 of 2018, the municipal council 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 municipal council.

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 judgement 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 the Company's 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 to enable a continuous evaluation of the activities of the municipal council and whether such systems, procedures, books, records, and other documents are in effective operation.
- Whether the municipal council has complied with applicable written law, or other general or special discussions issued by the governing body of the municipal council
- Whether the municipal council has performed according to its powers, functions and duties and
- Whether the resources of the municipal council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on the other legal requirements

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

- (i) The financial statements of the Municipal Council presented is consistent with the preceding year as per the requirements of section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018.
- (ii) The financial statements presented includes all the recommendation made by me in the preceding 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 the financial statements

1.6.1. Non-compliance with Sri Lanka Public Sector Accounting Standards for the Local Authorities

Non-compliance with reference to relevant Standard	Comments of the council	Recommendation
Even though the net decrease of the cash and cash equivalents in preparation of the cash flow statement as per Standard 3.26 was Rs.110, 285,002, the net increase was Rs.238,821,217. Therefore, the cash flow had not accurately depicted through that.	In the next year, it will be rectified.	The cash flow statement should be accurately prepared.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the council	Recommendation
(a) The transfer income for non-recurrent expenditure related to year under review of Rs.4,799,664 had been understated and the capital grant not identified in the surplus at the end of year under review of Rs.62,693,978 had not been accounted as equity.	It will be rectified in the future.	It will be correctly accounted.
(c) The aggregate rent income of Rs.2,439,827 received in the year under review had not been accounted as the comprehensive income.	It will be rectified in due course.	It should be accurately accounted.
(d) The depreciation values of Rs.734,391 for roads, bridges and culverts had been understated and the depreciation value of Rs.94,876 for office equipment had been overstated in the year under review.	It will be rectified through the final accounts 2024.	Do
(e) In rectification of the error of debiting the expense account when payment of Rs.7,387,186 to the creditors, it had been credited to stock account instead of crediting the expense account.	Do	Do
(f) When writing off capital creditors over provision of Rs.5,048,002, it had been credited to the cumulative fund instead of crediting to relevant work in progress account.	Do	Do
(g) Even though the loan instalment and interest of Rs.1,832,782 overpaid to Local Loan Development Fund should be accounted as the current assets, the instalment value had been debited to long-term loan and the interest value had been accounted as an expense.	Do	Do

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| (h) The depreciation of Rs.331,549 related to 03 fixed assets had been overstated to the comprehensive expense. | Do | Do |
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1.6.3 Unreconciled Control Accounts or Reports

Audit Observation	Comments of the council	Recommendation
(a) In accordance with the financial statements of 10 accounting subjects and income recovery progress report, a difference of Rs.6,273,321 had been observed.	The progress reports will be amended and submitted.	It should be rectified having identified the differences.
(b) A difference of Rs.6,845,790 had been observed by considering receivable trade places rent balance as Rs.28,427,450 in the financial statements and as Rs.35,273,240 in the age analysis.	It had not been considered the amount written off.	Having identified the changes, it should be rectified.
(c) A difference of Rs.4,579,556 was in the information submitted to the audit on the government transfers made for the non-current expenses in the previous years related to the year at the audit of annual financial statements in 2022 and 2023.	Having examined the difference, it will be reported after.	Do

1.6.4 Lack of Documentary Evidence for Audit

Subject	Amount	Audit Evidence not provided	Comments of the council	Recommendation
Government Transfers for non-recurrent expenditure	Rs. 11,662,101	The way of accounting debit note related to credit note	The answers had not been submitted.	The action should be taken to provide the accurate information.

1.7 Non-compliances

1.7.1 Non-compliances with laws, rules, regulations, management decisions

The incidents in which the laws, rules, regulations and management decisions are not complied with are as follows.

	Reference to laws, rules, regulations and management decisions	Non-compliance	Comments of the council	Recommendation
(a)	Tax and Assessment Ordinance No.30 of 1946	The Assessment Tax had been charged in the current year based on the valuations carried out in 2005 and 2011.	The requests had been made from the Department of Valuation.	The Assessment Tax should be charged as per new rates after making valuation.
(b)	Regulations on Accounting related to Financial Administration of Municipal Councils			
	(i) 08	The financial statement in the year under review had been presented on 28 March 2023 delayed 28 days.	The action will be taken to submit the statements without delay in next year.	The action should be taken as per the regulations.
	(ii) 38	An outstanding Assessment Tax of Rs.70,000 recovered by 03 Property Prohibition Officers in the months of June, October and December of 2023 at 15 incidents had retained in the hand a period from 10 days to 68 days.	The instructions had been given not to do so in the future.	The action should be taken as per regulations.
	(iii) 83 II	An advance account had not been maintained for employee loans.	CC 10 loan register, loan ledger and employee loan account are maintained.	Do

(c)	Financial Regulations of Democratic Socialist Republic of Sri Lanka			
	(i) F.R.396 (b)	No action had been taken in relation to 08 dishonored cheques worth of Rs.706,560 existed since many years.	The action will be taken to recover the money.	The action should be taken as per the regulations.
	(ii) F.R.571	The deposits worth of Rs.46,821,457 existed since 1997 had not been settled.	The action will be taken to include into the income.	Do
	(iii) F.R.757	No action had been taken in relation to 23 shortages and losses.	The action will be taken before 30 June 2024.	Do
(d)	Department of Local Government (Western Province) circular No.LGD/13/2016 (i) dated 03 December 2020	The shop rent had been charged in relation to Ja-ela bus stand shopping complex and phase 01 and 04 of central bus stand on the valuations of 2016 and 2019 in the year under review. Further, an amount of Rs.498,000 of shop rent which was 60 times had not been charged in transferring the shop No. CBS 422.	The future action is being taken to obtain the valuation and it will be recovered in due course.	The action should be taken as per circulars.

1.7.2 Non-compliance with the tax requirements

Audit Observation	Comments of the council	Recommendation
The payable Value Added Tax, Nation Building Tax and PAYE Tax of Rs.402,746 had not been settled.	It will be rectified in the future.	The balances should be settled.

2 Financial Review

2.6 Financial Results

According to the financial statements presented the excess of revenue over recurrent expenditure of the council for the year ended 2023 amounted to Rs.111,022,252 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.53,423,602 for the preceding year.

2.7 Revenue Administration

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

As per information presented by the Municipal Commissioner, 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	Estimated Revenue	2023			2022			Arrears of revenue as at December
		Revenue Billed	Revenue Collected	Arrears of revenue as at 31 December	Estimated revenue	Revenue Billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment Tax other tax	88,502,000	94,648,751	89,841,175	90,631,278	84,501,500	102,621,334	70,352,564	89,286,429
(ii) Rents	39,570,000	43,970,697	41,530,870	46,358,622	38,670,000	40,507,851	25,684,786	45,108,379
(iii) License Fees	9,800,000	10,958,152	10,958,152	648,338	5,800,000	5,365,608	4,974,608	717,427
(iv) Other Income	91,536,000	209,484,902	217,384,231	5,221,813	367,411,000	464,185,713	463,168,538	84,503,489
	229,408,000	359,062,511	359,714,428	142,860,051	496,382,500	612,680,506	564,180,496	219,615,724

2.7.2 Income Collection Performance

	Audit Observation	Comments of the council	Recommendation
(a)	As per the progress report of charge of income, since the current charges of overall billed income of Rs.142,479,223 related to the year under review was Rs.93,841,742, the collected percentage was 66 percent. The charges were Rs.65,067,166 from the overall outstanding income of Rs.176,662,043 at the opening date of year under review, the percentage recovered from outstanding was 37 percent.	The charges will be carried out recruitment of property prohibition officers, conducting mobiles services, land prohibition and seal the shops.	The outstanding income should be recovered.

- (b) Rates and Taxes
- (i) In accordance with the age analysis report, a balance of Rs.13,667,261 more than 10 years, Rs.23,225,705 during 05 to 10 years, Rs.18,974,512 during 03 years to 05 years, Rs.13,281,818 during 01 year to 03 years and Rs.10,701,273 less than 01 year had existed in the Rates outstanding balance of Rs.79,850,570 at the closing date of year under review. At the end of every quarter of 2022, the red notices had been issued. Outstanding Assessment Tax income should be recovered.
- (ii) The outstanding of 313 properties worth of more than Rs.25,000 was Rs.20,109,425 within above outstanding value. The red notices had been issued by Revenue Inspectors. Do
- (iii) The outstanding Rates of 09 properties on which it had been identified the wrong billing and 81 movable and immovable properties which had been identified as to be prohibited were Rs.780,403 and Rs.7,858,194 respectively had not been settled. The preliminary activities for prohibition of immovable properties will be taken. Do
- (iv) In accordance with the income charge progress report, since the collected income in the year was Rs.1,768,462 from outstanding entertainment tax balance of Rs.7,639,858 at the opening date of the year under review, the percent charged was 23 percent. Since the collected income in the year was Rs.2,654,735 from the billed value of Rs.7,484,091 in the year under review, the collected percent was 35 percent as a less value. The legal proceedings had been commenced to recover it. Outstanding entertainment tax income should be recovered.
- (v) The income collected of Rs.329,000 that is less percent as 28 percent was out of outstanding industry and business tax balance of Rs.1,176,190 at the opening date of year under review. The legal actions had been taken for outstanding balance. The outstanding industry and business tax income should be recovered.
- (c) Rents
- (i) In accordance with income charge progress report, the collected income of Rs.19,510,255 that is less percent as 38 percent was out of billed trade places rent of Rs.51,323,511 related to year under review. The shop owners are being made aware in writing. Outstanding trade places rent income should be recovered.

(ii)	As per age analysis, balance of Rs.16,758,012 between 05 to 10 years, balance of Rs.4,070,808 between 03 years to 05 years, balance of Rs.2,631,000 between 01 year to 03 years and balance of Rs.3,272,696 less than 01 year had existed in the outstanding rent balance at the closing date of the year under review.	After taking into consideration the Covid write-off, the outstanding balance was Rs.26,732,516 at the closing date.	Outstanding trade places rent income should be recovered.
(iii)	The outstanding weekly fair rent income of Rs.1,303,647 existed since 2021 had not been recovered.	The legal action had been taken.	Weekly fair outstanding rent should be recovered.
(iv)	At the opening date of year under review, meat stalls outstanding tender rent of Rs.90,015 had not been recovered.	Do	Outstanding meat stalls tender rent should be recovered.
(v)	Since the collection was Rs.11,000 out of outstanding rest house rent of Rs.7,318,580 at the opening date of year under review, the collected percentage was a less value as 0.2 percent and no money had been collected from the billed value of Rs.1,938,652 related to year under review.	It is due to be informed to Urban Development Authority to recover and to take legal action also.	Outstanding rest house rent income should be recovered.
(vi)	The outstanding shop rent was Rs.2,129,775 for 142 public market shops demolished and the outstanding shop rent was Rs.667,047 for 25 shops not given temporary shops.	It had been informed related to the outstanding shop rent.	The outstanding income should be recovered.
(vii)	The action had not been taken as per the agreement in relation to outstanding income was Rs.837,688 for 25 temporary shops contracted.	In the future, the relevant measures will be taken.	The action should be taken as per the agreement.
(d)	Other Income		
	The outstanding vehicle parking charges of Rs.1,900,985 existed at the opening date of year under review had not been recovered	The legal proceedings had been taken.	The outstanding vehicle parking charges income should be recovered.

3. Operating Review

3.1 Discharging the functions enacted from the Act

Audit Observation	Comments of the council	Recommendation
(a) Even though the shop owners had made unauthorized constructions by covering the drainage system with 15' in breadth and 300' in length with gates in the public road located behind two storied market complex adjoining to main car park of Oruthota road belonging to Gampaha Urban Council, no action had been taken by council in that regard.	It had been made aware to remove the unauthorized constructions and it will be utilized for public purpose after removal.	Having removed the unauthorized constructions, it should be provided for public purposes.
(b) In terms of section 23(a) of National Environmental Act No.56 of 1980, the environmental licenses had not been obtained for 02 crematoriums implemented by municipal council.	The action will be taken to submit the application to Central Environmental Authority.	The action should be taken as per the Act.

3.2 Management Inefficiencies

Audit Observation	Comments of the council	Recommendation
(a) A loan instalment of Rs.1,664,305 of Local Loans Development Fund which had been over paid had not been settled.	The action will be taken to settle.	The balance should be settled.
(c) Contrary to the extraordinary gazette notification of Democratic Socialist Republic of Sri Lanka dated 20 January 1989, since the powers for construction and maintenance of advertising boards had been assigned to a private company by council on 15 July 2022, no licenses had been issued by council since then. The action had not been taken by council to remove the advertisement board which obstruct the beauty of the city and unsafety boards.	The receipts are issued by charging advertising fees and no licenses had been issued. The necessary action is being taken for that.	The action should be taken as per gazette.

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| (c) | It was observed that submission of erroneous information in the government valuation for leasing 03 halls of Ja-ela bus stand shopping complex, payment of Rs.95,220 for publishing the paper advertisements for tendering without taking over to council due to billing 03 closed halls and income loss which could have been received if provide on lease are the losses occurred to council's fund. | The future action will be taken after receiving the accurate valuation | It should be formally tendered as per accurate valuation having charged the losses. |
| (d) | Even though the key money should be charged before leasing the shops, a balance of Rs.22,836,846 between 05-10 years, balance of Rs.8,252,649 between 03-05 years, balance of Rs.1,945,000 between 01-03 years and balance of Rs.290,000 less than 01 year had existed in the outstanding key money balance of Rs.33,324,495 at the closing date of year under review. | The action will be taken to take over the shops. | Outstanding key money income should be charged. |
| (e) | Rs.1,232,498 that is 4 percent had been recovered from outstanding key money balance of Rs.34,164,747 existed at the opening date of the year under review. | It is expected to take further action. | Do |

3.3 Operating Inefficiencies

Audit Observation	Comments of the council	Recommendation
(a) Even though it was observed that 21 shops had carried out other sales contrary to condition 01 in the agreement, the all shops had not paid monthly rent on 10 th in next month or before that contrary to condition 07 of the agreement, 10 shops had been altered contrary to 09 condition in the lease agreement, 42 shops had been sub leased contrary to circular No.LGD/211/D.C./2020 dated 03 December 2020 and condition 10 of the agreement and 31 shops had been closed since long time contrary to condition 21 of the agreement, the shops had not taken over to the council and had not tendered again as per condition 05 of the agreement.	The necessary action will be taken in the future.	As per agreement, the action should be taken.

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| (b) | Even though 05 shops of CBS V 04 shopping complex provided in 2013 and 2016 without a formal lease agreement had been assessed in 2020, no income had been identified or charged by council in relation to this. Due to this reason, it was observed that a rent income of Rs.2,280,925 up to 31 December 2023 was a loss occurred to the council fund. | The future action will be taken after obtaining a justification report. | It should be identified as income and charged. |
| (c) | Even though the shop owner who had contracted with the council in 2006 for shop No.19 A phase 01 in central bus stand had entered into lease agreement with an external party for a period of 05 years in 2013 and the payments had been stopped to the council, the council had not settled such situation and recovered outstanding shop rent of Rs.893,335. | It had been referred for relevant further action. | The outstanding shop rent should be recovered after solving the issue. |

3.4 Assets Management

Audit Observation	Comments of the Recommendation council	
(a) In contrary to section (ii) of the Public Administration Circular No.05/2016 dated 09 March 2016, A lady officer of Gampaha Municipal Council had used 02 vehicles of municipal council from April 2023 to August 2023 at 13 incidents and the running charts had not been submitted to the audit for computation of the loss occurred to the council fund.	The running charts had been submitted to the Investigation Division of Ministry of Local Government.	The running charts should be given to the audit and the loss should be recovered.
(b) Owing to break down of the roof of Ja-ela bus stand shopping complex, closure of 03 halls and 08 shops in the upper floor since long period and pigeon droppings it had become very untidy. Having broken the doors and pad locks for prevention of unauthorized access to third floor, the goods had been piled in and out of the room in an	The relevant divisions had been made aware.	The assets should be properly maintained and formally tendered.

unauthorized manner. The doors of the shops had unfixed and the water facilities and a toilet system in usable condition were not available.

3.5 Procurement Management

Audit Observation	Comment of the council	Recommendation
By selecting the supplier in contrary to the Government Procurement Guidelines 2006, 96 sarees had been purchased for the officers by making payment of Rs.854,400 in contrary to the payments which are allowed by the council's fund specified in section 188(1) of Municipals Ordinance and 48 sarees had been given to the officers. Since 48 sarees worth of Rs.427,200 had been stored in Municipal Commissioner's Office. Such expense had become idle.	The observation is accurate. The proposal had been passed for the welfare of the employees and since there is no facility in the stores for storing safely, such action had been taken.	The action should be taken as per the Procurement Guidelines and Municipal Councils Ordinance and the idle expense should be recovered from the responsible persons.

3.6 Deficiencies in the Contract Administration

Audit Observation	Comments of the council	Recommendation
(a) Even though a community board had informed that the industry of construction of trade stall which had been entered into agreement for completion within 03 months on 08 April 2022 couldn't be completed on various reasons elapse of 56 days, it had been entered into agreement again with the community board which had breached the first agreement for fulfilment of above industry after preparing a new estimate of Rs.4,254,672 which had been increased the previous estimate by Rs.1,760,228 by technical evaluation officers without blacklisting the institute breached that contract agreement.	It had been entered into agreement with Swarnasahana community board. As per such agreement, it had been informed that it will be completed within 03 months since the date of agreement.	A proper supervision should be carried out by council for making opportunity for commencing the work since the date of agreement. After blacklisting the community board which breached the agreement, the agreement should not be entered again. .
(b) As per new agreement, even though the construction should be completed within 03 months, it had	It had been indicated that it should be completed within 03	Idle expense should be recovered from the responsible persons.

not been completed 24 activities months from the date worth of Rs.1,876,479 after one of agreement as per year from entering into agreement. such agreement. As a result of that, the interim payment of Rs.2,104,014 had become an idle expense.

3.7 Human Resources Management

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| (a) | In contrary to the Public Administration Circular No.18/2001 dated 22 August 2001, 09 officers who had period of service between 06-12 years had not been transferred among the working stations. | Accepted. | The action should be taken as per the circular. |
| (b) | The employees who had been engaged to clean Ja-ela bus stand shopping complex had not cleaned and the Administrator appointed for that purpose had not performed the administrative activities and it was observed that he had not remained there at the physical inspection. | The relevant cleaning activities will be carried out through shop administrator under proper supervision. | The cleaning should be properly supervised. |
| (c) | The loan and advance outstanding balance was Rs.1,729,780 for 46 employees who had vacated the post, deceased, retired and transferred. | There are no sureties for employees who had vacated the post and the money had been received from 31 retired workers in 2024, the letters had been sent for 07 employees and the information couldn't be found about 22 retired workers. | The employee loans should be recovered. |