

Gampaha Pradeshiya Sabha - 2023

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 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of Changes in Net Assets/Equity, Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies 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 Sabhas 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 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 Pradeshiya Sabha as at 31 December 2023, 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 to be prepared.

1.4. Scope of Audit (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:

- Identified and assessed 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.
- 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 its 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 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

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

Non-compliance with reference to the relevant Standard	Comments of the Council	Recommendation
In terms of Chapter 3.29 of the Standard, the value of acquisition of property, plant and equipment amounting to Rs.24,674,523. should be added and shown under investment activities in the cash flow statement. However, a sum of Rs.25,913,782 had been deducted.	That action will be taken to rectify through final accounts of year 2024	The cash flow statement should be prepared accurately in terms of the Standard.

1.6.2. Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) In writing off revenue receivable amounting to Rs.1,452,196 from stall rentals relating to preceding years, instead of debiting the Accumulated Fund, the Stall Rentals Revenue Account had been debited.	That action will be taken to rectify through final accounts of year 2024	Should be accurately accounted.
(b) In eliminating the value of lands and plants amounting to Rs.8,898,000, instead of debiting the Reserves and Provision Account the Accumulated Fund had been debited.	-do-	-do-

(c) In rectifying the Work-In-Progress Account debited by the value of Rs.7,129,082 relating to roads, bridges and culverts of which works were completed in the year 2022, in the year under review, instead of crediting the Work-In-Progress Account, the Accumulated Fund had been credited. Moreover, a value of Rs.864,500 which should be accounted as lands, had been accounted as roads, bridges and culverts.	That action will be taken to rectify through final accounts of year 2024	Should accurately be accounted.
(d) In accounting the value of industrial creditors amounting to Rs.3,900,000 relating to preceding years, instead of debiting the relevant Property, Plant, Equipment/Work-In-Progress Account, the Accumulated Fund had been debited.	-do-	-do-
(e) In writing off the value of rates amounting to Rs.1,262,440 relating to the preceding years, instead of debiting the Accumulated Fund, the Rates Revenue Accounted had been debited.	-do-	-do-
(f) Even though the accumulated surplus as at the end of the year under review was Rs.415,839,694, it had been indicated as Rs.123,750,969 and even though the balance of the Reserves and Provisions Account was Rs.3,312,001,271 it had been shown as zero, while the balance of the Capital Grants Account was Rs.239,527,288, it had been shown as Rs.3,843,616,285 in the statement of assets and liabilities.	-do-	-do-

1.6.3 Unauthorized Transactions

Description on Unauthorized Transactions	Comments of the Council	Recommendation
Approval of the Minister-In-Charge of the Subject had not been obtained for writing off the stall rental balance of Rs. 1,452,196.	Has been referred for approval	Approval should be obtained.

1.7 Non-compliances

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions appear below.

	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comments of the Council	Recommendation
(a)	Section 20 of the Rating and Valuation Ordinance No.30 of 1946	Rates and taxes had been recovered for the year under review based on the assessment of the year 2002.	That it is expected to implement the new assessment revision from the year 2025	Action should be taken in terms of the Ordinance
(b)	Order No.90 on accounts relating to financial administration of Pradeshiya Sabhas of the Western Province	Stamp duty and court fines had been brought to account on cash basis.	As it is difficult to estimate, it had been accounted on cash basis.	Action should be taken as per Orders.

2 Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.123,751,969 as compared with excess of revenue over expenditure amounting to Rs.8,036,241 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, details on revenue estimated, billed, collected and in arrears relating to the year under review and the preceding year are as follows.

Source of Revenue	2023				2022			
	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.
(i) Rates and Taxes	21,252,000	20,615,409	17,279,875	42,838,443	20,211,200	24,576,548	20,537,105	42,978,575
(ii) Rentals	5,678,400	7,419,115	7,594,810	1,339,174	8,303,400	7,578,365	7,734,024	2,700,683
(iii) Licence Fees	820,000	1,278,120	728,320	9,000	1,520,000	1,102,512	1,226,012	64,500
(iv) Other Revenue	18,215,805	18,359,896	18,359,896	-	14,211,838	16,515,843	16,515,843	-
	45,966,205	47,672,540	43,962,901	44,186,617	44,246,438	49,773,268	46,012,984	45,743,758

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Council	Recommendation
<p>(a) Rates and Taxes</p> <p>i. Of the arrears of rates as at the commencement of the year under review amounting to Rs.41,419,069, the value recovered during the year was Rs.7,249,283. As such, the percentage of recovery was as low as 18 per cent and as the value of rates recovered during the year amounted to Rs.7,964,143 of the value of rates billed for the year amounting to Rs.14,769,260, the percentage of current recoveries had been 54 per cent.</p> <p>ii. According to Age Analysis, the arrears of rates as at the end of the year under review were Rs.23,431,264 for a period over 10 years, Rs.9,477,193 for a period between 5 and 10 years, and Rs.4,199,207 for a period between 3 and 5 years and action had not been taken in this regard in terms of Section 162 of the Pradeshiya Sabhas Act.</p>	<p>That it is accepted.</p> <p>Even though seizure of property has been planned, as the lessors have made payments, it has not been carried out.</p>	<p>Revenue from arrears in rates should be recovered.</p> <p>Action should be taken in terms of the Pradeshiya Sabhas Act.</p>

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| (b) | There had been arrears of stall rentals of Rs.381,244 for a period over 10 years and Rs.539,320 for a period between 5 and 10 years relating to the Henarathgoda Sub-office. | Has been suspended until the decision of the Provincial Committee on Public Accounts is received. | Revenue from arrears of stall rentals should be recovered. |
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3. Operating Review

3.1 Performance of Functions assigned by the Act

Audit Observation	Comments of the Council	Recommendation
Of 495 public complaints received, the number resolved was 202 and as such, 59 per cent were being resolved.	As the authority granted for execution of personal goals is limited, the progress does no reach the maximum level.	Public complaints should be resolved

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Capital Grant debtors' balance of Rs.214,924 for a period between 1 and 3 years and a balance of Rs.364,109 for a period between and 3 and 5 years had not been recovered.	That the total debtors' balance is Rs.579,033	Balances receivable should be recovered.
(b) Creditors' balances of Rs.16,190,803 for a period less than 1 year, Rs.14,520,682 for a period between 1 and 3 years, Rs.1,032,350 for a period between 3 and 5 years and Rs.66,720 for a period between 5 and 10 years had not been settled.	That the creditors' balance less than one year was Rs. 16,190,803	Creditors' balances should be settled.

3.3 Underutilization of Funds

Audit Observation	Comments of the Council	Recommendation
The balance of the savings account amounting to Rs. 88,312 maintained over several years, had not been invested so as to reap higher benefits.	That it is accepted.	Should be invested so as to reap higher benefits.

3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
Surveying, preparing deeds, erection of fences and fixing permanent name boards relating to lands belonging to the Council should have been carried out.	That these activities are carried out subject to estimated limits.	Activities relating to lands belonging to the Council should be carried out.

3.5 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
Arrears of staff loans amounting to Rs.305,853 had not been recovered from 6 employees who had transferred out, retired, left the service and deceased.	That letters of informing have been sent out.	Arrears in staff loans should be recovered.