

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Godakawela Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, cash flow statement, statement of changes in equity, significant accounting policies and the summary of 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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 accompanying financial statements give a true and fair view of the financial position of the Godakawela Pradeshiya Sabha as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

**1.2 Basis for 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 (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibility for the Audit of 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 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 financial reporting process of the Pradeshiya Sabha.

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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

**1.4 Audit Scope (Auditor's Responsibility 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:

- 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 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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 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 National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year.
- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by 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	Comments of the Council	Recommendation
(a) The value of a land, a stadium and 02 development projects had been understated by Rs.6,915,318.	This mistake will be corrected in the year 2024.	Measures should be taken correctly accounted for.
(b) The value of 02 development projects had been overstated by Rs.165,970.	- do -	- do -
(c) The value of a jeep and 58 table glasses of Rs.6,406,235 had not been accounted for.	- do -	- do -
(d) Accrued expenses relating to the year under review amounting to Rs.39,080 had not been accounted for.	- do -	- do -

### 1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Even though 03 lands had been accounted for as Rs.700,000, no evidence had been presented to confirm that value.	Their deed value will be counted for in due course until valuated.	Evidence should be presented.

## 1.7 Non-compliance

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

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Measures had not been taken to refund or credit the overdue deposits of Rs.1,845,769 related to the period from 2007 to 2021 to the state revenue in accordance with Financial Regulation 571(3).	Measures will be taken to settle this deposit.	Measures should be taken in terms of the Financial Regulations.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the expenditure of the Council in excess of the recurrent revenue for the year ended as at 31 December 2023, amounted to Rs.11,429,322 as compared to the corresponding revenue for the preceding year in excess of the recurrent expenditure amounting to Rs.8,287,136.

### 2.2 Revenue Administration

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

According to the information made available by the secretary, particulars on the estimated revenue, billed revenue, collected revenue, and outstanding revenue relating to the year under review and the preceding year, are given below.

Source of Revenue	<u>2023</u>				<u>2022</u>			
	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.
Rates and Taxes	6,121,029	6,505,369	7,491,854	2,491,610	5,935,099	6,392,614	5,706,053	4,107,494
Rent	16,890,506	13,983,546	12,790,137	4,741,187	16,974,811	11,363,452	10,111,641	3,909,026
License fee	1,824,200	2,216,388	2,216,388	-	1,974,000	1,909,928	1,909,928	-
Other Revenue	<u>4,659,184</u>	<u>2,154,795</u>	<u>1,707,976</u>	<u>424,582</u>	<u>4,780,466</u>	<u>1,549,773</u>	<u>434,557</u>	<u>549,475</u>
	<u>29,494,919</u>	<u>24,860,098</u>	<u>24,206,355</u>	<u>7,657,379</u>	<u>29,664,376</u>	<u>21,215,767</u>	<u>22,073,194</u>	<u>8,565,995</u>

## 2.2.2 Performance in Collecting Revenue

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) A balance of Rs.681,850. More than 5 years old had been included in the outstanding Assessment tax balance of Rs.2,445,968 as at 31 December 2023.	Red notices are issued to tax defaulters and arrears of over 05 years are charged through mobile services.	Arrears should be collected promptly.
(b) There was a balance of Rs.152,244 which was more than 03 years old in the outstanding acre tax balance of Rs.163,099 as at the final date of the year under review.	Arrangements have been made to write off the uncollectible balances from books after verification of acreage tax.	Arrears should be collected promptly.

## 3. Operational review

### 3.1 Common utilities

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Even though it had been confirmed that water from two water projects run by the council to be unfit for drinking, it continues to be distributed without purification.	Estimates are being prepared to install water tanks and filter equipment for that.	Measures should be taken to purify the water distribute.

### 3.2 Action Plan

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
According to the progress of the annual action plan, the progress of road and storm water drain maintenance was as low as 15 percent.	This was due to non-availability of provisions and lack of technical officers.	Priority should be given to public infrastructure.

### 3.3 Solid Waste Management

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Even though an amount of Rs.18,319,269 had been spent for staff salaries, vehicles	This was due to lack of adequate facilities.	Solid waste should be

and machinery in the year 2023 to dispose of 2160 metric tons of solid waste, the waste not been disposed of improperly and without an environmentally friendly method.

Garbage recycling is properly managed. done from the year 2024.

**3.4 Operational Inefficiencies  
Audit Observation**

The arrears of Rs.375,859 as at 30 June 2023 had not been collected from 02 plots of land that had been given on the basis of ground rent for 30 years. It had been decided by the council to write off the late fees of Rs.1,852,255 as at 31 December 2022 as the manner of charging late fees had not been included in the agreement.

**Comments of the Council Recommendation**

A case has been filed for this. The balance had been written off on a Council decision due to the refusal to pay on the ground mentioning that late fee is not included in the agreements.

Arrangements should be made to recover the arrears and to formalize the rental agreements.

**3.5 Human Resource Management  
Audit Observation**

Only the arrival at the workplace had been marked by 06 drivers from January 2024 to February 2024 in compliance with Public Administrative Circular No. 09/2009 dated 16 April 2009. Even though only the hours mentioned in the running charts had been applied in paying overtime allowances to the drivers, there were contradictions between those times and the times mentioned in the document recording the entry and exit of vehicles. All the running charts had been signed by the secretary instead of the officer who used the vehicle.

**Comments of the Council Recommendation**

Such deficiencies had occurred as the office is closed in many cases when the drivers are leaving away for duties and returning. Measures will be taken to inform in writing to record regarding the arrival and departure properly in due course.

Recording the arrival, departure, payment of overtime allowances and maintenance of running charts should be regularized.

**3.6 Vehicle Pool Management**

**Audit Observation**

- (a) Even though the backhoe had been handed over for repair in year 2020, it had not been repaired until July 2023, an amount of Rs.2,984,732 had to be paid during that

**Comments of the Council Recommendation**

Repairs are underway for the time being. There was a slight delay in procuring certain spare

Repairs should be expedited and the machine used effectively.

period for having to rent backhoe machines from June 2020-2023 due to this reason. parts.

- |     |  |  |                                     |
|-----|--|--|-------------------------------------|
| (b) | A jeep has been remained idel since the year 2021 as the repairs of a jeep amounting to Rs. Rs.963,920. had not been done. | Arrangements are being made to obtain the necessary spare parts. | Assets should not be remained idle. |
|-----|--|--|-------------------------------------|

### 3.7 Irregular Transactions

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Security deposit of Rs.840,000 had not been collected from stalls in Madampe fish market and 02 stalls had been leased without agreement in compliance with Local Government Commissioner Circular No. 03/2020 dated 01 February 2021. Similarly, arrears of Rs.2,051,100 from 22 shops and 07 store rooms had not been collected till December 2023 and 11 stores and shop rooms out of them had been get retransferred.	Arrears will be collected continuously. The amount of outstanding deposit will be collected in due course.	Arrears of rent and amount of deposit should be collected.

### 3.8 Apparent Irregularities

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
05 welfare programs had been implemented for pregnant mothers, widows and disabled. It was uncertain whether the material aid had been received by the beneficiaries as there was no information about how the beneficiaries had been selected and the material aid provided. Similarly, fake bills had been submitted for materials worth Rs.97,585.	Selection of beneficiaries had been done formally. However, a preliminary investigation is being conducted as there was a problematic situation in payment. Therefore, the necessary information can be provided after the completion of the tests.	There should be good internal control in the implementation of programs. Disciplinary action should be taken regarding the unveiled errors.

### 3.9 Contract Administration

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) The contract had been awarded for over the estimated cost of Rs.533,936 in construction of the children's park in Rakwana. Similarly, Rs.198,535 had been paid more for 04 work Objects.	Payments had been made as per the directions of the Provincial Engineer and an amount of Rs.50,812 which had been overpaid will be deducted from the withholding amount.	Over payments should be refunded.
(b) An amount of Rs.90,000 had been paid for the unfinished work on the Megahamadaya road, Balawinna.	Deficiencies had been occurred in the preparation of estimates. More work than mentioned in the bill had been done. Therefore, a loss had been experienced by the council.	Overpayments should be refunded.
(c) An amount of Rs.1,711,356 had been paid for the construction of the Alpitiya Ulpatha road without carrying out quality inspections on the concrete.	The mistake had been corrected after it had been pointed out by the audit.	Quality inspection should be done.
(d) There was a loss of Rs.98,586 due to overpayment in road preparation and oversupply of cement for 03 projects.	This overpayment had been caused by the increase in the hourly rate of JCB machines and the change in the amount of cement used in mixing concrete.	Overpayment should be refunded.