

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Gampaha Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024, Statement of Comprehensive Income, Statement of changes in Net Assets/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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 10(1) 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 accompanying financial statements give a true and fair view of the financial position of the Gampaha Pradeshiya Sabha as at 31 December 2024, 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 regarding the financial statements 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 skepticism throughout the audit. I also:

- Identified and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed 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 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 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 includes 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 the Comments of the Sabha Recommendation reference to particular Standard

In calculating net cash flow from operating and investing activities in accordance with paragraphs 3.31 and 3.29 of Chapter 3 of the Standard, investment income was overstated by Rs. 29,657 and fixed deposit interest income by Rs. 1,096,549 respectively.	The difference between in the years of 2023 and 2024 in employee security deposit investments is shown as investment, and the interest earned on staff loans, fixed deposits and savings is shown as interest.	The cash flow statement must be prepared correctly according to the standard.
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1.6.2 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Rs. 4,302,046 which should have been accounted for under buildings had been accounted for under roads, bridges and culverts.	That a correction will be made when preparing the final accounts for the year 2025.	Accounts must be prepared correctly.
(b)	Work in progress amounting to Rs. 55,930,730 had been accounted for as a current asset even though it should have been accounted for under non-current assets.	That a correction will be made when preparing the final accounts for the year 2025.	Accounts must be prepared correctly.
(c)	A value for a building had not been recognized in the financial statement and fixed assets register.	That a correction will be made when preparing the final accounts for the year 2025.	Accounts must be prepared correctly.

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions as follows.

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
Public Administration Circular No. 18/2001 dated 22 August 2001	Although the transfer policy should be implemented every 5 years, it was observed that 5 officers with service periods ranging from 7 to 11 years are in service with the sabha.	There are three people who have not received transfer orders despite submitting applications, and two who cannot be released because the successor officers have not reported.	Action should be taken according to the circular.

2 Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 107,700,471 as compared with the excess of revenue over expenditure amounted to Rs. 123,751,969 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 submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Source of Revenue	2024				2023			
	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.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)	Rs.(000)
(i) Rates and Taxes	23,786	20,613	19,562	43,112	22,881	20,615	21,044	42,669
(ii) Rent	9,011	11,520	11,034	1,613	7,848	9,058	10,137	1,339
(iii) License fees	1,590	1,119	1,077	152	1,446	1,278	1,266	173
(iv) Other Revenue	19,975	19,305	19,038	243	18,366	23,423	25,825	777
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	54,362	52,557	50,711	45,120	50,541	54,374	58,272	44,958
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2.2.2. Performance in Revenue Collection

Observations related to performance in Revenue Collection of the sabha are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Rates and Taxes		
(i)	As at the beginning of the year under review, the arrears of rates balance of Rs. 42,538,442 had been recovered, with an amount of Rs. 7,260,428 recovered during the year, which was a low figure of 17 percent, while the billed assessment value of Rs. 15,077,225 had been recovered, with an amount of Rs. 7,687,813 recovered during the year, which was 51 percent.	The entire area of authority has been designated as an rates zone and programs are being carried out according to an annual plan.	Arrears of rates should be recovered without delay.
(ii)	According to the age analysis report, the arrears of rates value as at the last day of the year under review was Rs. 10,124,616 for more than 10 years, Rs. 10,370,626 for between 5 and 10 years, Rs. 6,115,423 for between 3 and 5 years, Rs. 9,663,599 for between 1 and 3 years, and Rs. 6,562,357 for less than 1 year.	House-to-house collection programs have been implemented.	Arrears of rates should be recovered without delay.
(b)	Rent		
	According to the arrears shop rent age analysis report, the arrears for more than 10 years, between 5 and 10 years and less than 1 year were Rs. 381,244, Rs. 487,120 and Rs.720,263 respectively. Of this, Rs. 343,290 was due from 4 sealed shops and Rs. 394,572 from 7 unsealed shops, which were in arrears since 2018, and there were no valid agreements for 7 shops.	The shops have been taken over and given to other lessees, and it is difficult to determine the people responsible for the arrears.	Action should be taken to recover arrears of shop rental income.

3 Operational Review

3.1. Performing of Functions Enacted 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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
By the end of the year under review, out of 230 public complaints received, only 114 had been resolved.	Complaints cannot be resolved due to the fact that only the complaining party appeared when summoned, both parties did not appear, and an inability to reach an agreement.	Action should be taken to resolve public complaints and solve the problems of the people.

3.2. Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Although the value of a public land was stated as Rs. 6,000,000 according to the fixed assets register and as Rs. 7,500,000 according to the financial statement, no steps had been taken to compare and correct the difference.	That the correction will be made when preparing the final accounts for 2025.	Fixed asset register should be maintained up-to-date and financial statements should be prepared based on them.
(b) The capital grant debtors balance was Rs. 2,936,380 for the year and Rs. 364,109 for the years 5 to 10 as at 30 May 2025. No action had been taken to recover these balances.	As at 30 May 2025, the debtor balance is Rs. 2,936,380 for less than a year and Rs. 364,109 for between 5 and 10 years.	Capital grant balances receivable should be recovered.
(c) As at the end of the year under review, the creditor balance was Rs. 15,062,814 less than the year, Rs. 5,184,489 between years 1 and 3, and remained as at 30 May 2025.	As at 30 May 2025, the creditor balance is Rs. 15,062,814 for less than a year and Rs. 5,184,489 for between 01 and 03 years.	The existence of outstanding balances must be verified and settled.

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Computer equipment worth Rs. 786,100 and roads, bridges, culverts worth Rs. 197,819,274 were not recorded in the fixed assets register.	That the correction will be made when preparing the final accounts for the year 2025.	All assets belonging to the sabha must be recorded in the

fixed assets register.

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| (b) The board of survey had recommended that the ceiling of a public library be repaired to protect unprotected doorways, wet areas on the roof, areas prone to rain, landslides, and books, but no steps had been taken to do so. | Plan to make repairs based on existing provisions and to act in accordance with the recommendations of the Geological Survey of Sri Lanka regarding landslides. | Action should be taken according to the recommendations of the board of survey. |
| (c) Although the CCTV camera system has been out of service since 2023, no steps had been taken to repair it and it remained idle without using a computer printer. | Although the installation of the CCTV system has been postponed until the new sabha term, the computer printer will be repaired. | Action should be taken according to the recommendations of the board of survey. |
| (d) Action had not been taken in accordance with the recommendations of the Survey Board of Survey regarding 106 units of 43 types of goods not included in the inventory list and 28 units of 16 deficiency items. | That the follow-up will be forwarded to the committee for correction. | Action should be taken according to the recommendations of the board of survey. |

3.4 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Although the approved number of librarians for 7 libraries operating under the sabha was 5, there were 2 vacancies, although the approved number of Sri Lanka Technical Service was 3, there was 1 vacancy, although the approved number of revenue inspectors for 2 sub-offices operating under the sabha was 4, there were 2 vacancies, although the approved number of electricians was 1 vacancy, although the approved number of development officers was 4, there were 11 excesses, and although the approved number of work and health workers was 75, there were 31 excesses.	Vacancies have been reported at the end of each quarter and 07 labours and 24 labour positions have been recruited under Public Administration Circular No. 25/2014 for the year 2024, which have been forwarded to the Department of Management Services for approval.	Vacancies must be filled and excesses staff must be approved.

3.5 Management of Vehicle fleet

Audit Observation	Comments of the Sabha	Recommendation
Although a cab with an estimated value of Rs. 1,440,500 was handed over to a private company for repair on 02 January 2024, the repairs had not been completed and received by the sabha by 28 February 2025.	That the remaining work will be completed and the vehicle will be taken over.	The repair should be completed and the assets should be utilized to the maximum efficiency.