

Godakawela Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Godakawela Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial Performance, Statement of 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 Godakawela Pradeshiya Sabha as at 31 December 2024, 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

I expressed qualified opinion on the financial statement 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 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 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 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 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 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 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 include specific provisions for following requirements.

- 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.
- The financial statements presented includes all the recommendations made by me in the previous year of this report 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 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Due to the non-capitalization of 05 industries with a value of Rs. 3,079,901 completed during the year under review, the Contribution from Revenue to Capital Outlay Account for property, plant and equipment and capital expenditure was understated by that value.	That it will be corrected and accounted in 2025.	Industrial costs must be accurately accounted for.
(b) The property, plant and equipment and Contribution from Revenue to Capital Outlay Account was overstated by Rs. 6,000,000 due to the capitalization of land whose ownership or possession was not in the hands of the Pradeshiya Sabha.	Since there is no takeover or tenure of the land at this time, action will be taken to remove it from the capital accounts through future committee decisions.	Steps should be taken to take over ownership of assets and accounted.
(c) The property, plant and equipment and Contribution from Revenue to Capital Outlay Account was understated by the amount of Rs. 182,181 spent to obtain water and electricity supplies for 03 places belonging to the Pradeshiya Sabha due to non-capitalization.	That it will be corrected and accounted for in 2025.	Capital expenditure must be accounted for correctly.

(d)	Due to the remaining stationery stock being overstated by Rs. 230,878, the current assets and operating surplus for the year were overstated by that value.	That it will be corrected and accounted in 2025.	Stock values should be accurately accounted for and the relevant accounts should be reconciled.
(e)	Due to the fact that the value of the remaining gas stock in the incinerator had not been accounted , the current assets and operating surplus for the year had been understated by Rs. 74,825.	That it will be corrected and accounted in 2025.	Inventory balances should be accurately accounted for and the relevant accounts reconciled.
(f)	Due to the understatement of stamp duty receivable for the year under review by Rs. 11,057,920, the arrears of other income and operating surplus for the year were understated by that amount.	That it will be corrected and accounted in 2025.	Income must be accounted in correctly.
(g)	Due to the understatement of the value of purchased library books by Rs. 141,163, the value of property, plant and equipment and the Contribution from Revenue to Capital Outlay Account were understated by that value.	That it will be corrected and accounted for in 2025.	The book value must be accurately accounted.
(h)	Due to the overstatement of the creditor balance of 11 industries by Rs. 21,409,892, current liabilities were overstated by that amount, while accumulated funds were understated by the same amount.	That it will be corrected and accounted for in 2025.	The value of industrial creditors should be accurately accounted for and the relevant accounts reconciled.
(i)	Due to the fact that the creditor balances relating to 03 industries, which amounted to Rs. 2,811,677, which were cancelled in previous years, had not been removed from the accounts, the industrial creditors were shown at an excess value and the accumulated fund was shown at an equivalent value.	That will find and correct the information related to this.	The value of industrial creditors should be accurately accounted for and the relevant accounts reconciled.
(j)	Due to the fact that Rs. 190,700 paid to industrial creditors was accounted for as recurring expenses, the creditors were overstated and the operating surplus was understated by similar value.	That the final accounts for 2025 will be prepared and corrected and accounted.	-Do-

1.7 Non- Compliance

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	In the Democratic Socialist Republic of Sri Lanka Financial regulations 371 (5)	04 advances of Rs. 483,009 given during the period from 2022 to 2024 had not been settled up to the end of the year under review.	The necessary provisions to settle the advances have not been received to date.	Financial regulations must be followed.
(b)	Financial regulations 371 (2)	Although the advances received were to be settled immediately after the completion of the relevant work, the settlement of advances of Rs. 220,000 given on 04 occasions during the year under review had been delayed by 58 to 150 days.	Officials have been informed to settle the advance immediately after the relevant work is completed.	Financial regulations must be followed.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 9,941,020 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 11,429,323 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 following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

Source of revenue	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	6,036,216	6,572,672	6,568,216	2,345,508	6,121,029	6,505,369	7,491,854	2,654,469
Rent	15,487,861	14,111,334	14,427,894	4,350,206	16,890,506	13,983,546	12,790,137	4,922,447
License fees	1,939,200	2,205,847	2,185,047	53,600	1,824,200	2,216,388	2,216,388	-
Other Revenue	43,191,385	37,481,552	45,574,128	26,324,368	24,061,003	23,176,288	21,380,066	17,227,992
	66,654,662	60,371,405	68,755,285	33,073,682	48,896,738	45,881,591	43,878,445	24,804,908

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) The outstanding assessment balance of Rs. 2,175,702 as at the end of the year under review included assessment balances of Rs. 596,310 which had been outstanding for more than 05 years.	That step will be taken to recover the arrears of assessed taxes.	Action should be taken to collect the outstanding revenue.
(b) The arrears of acreage tax balance of Rs. 168,190 as at the end of the year under review included Rs. 132,798 due from 127 units that had been in existence for more than 05 years.	An acreage tax investigation will be conducted and further action will be taken.	Steps should be taken to settle arrears of acreage taxes.
(c) The arrears of land rent and commercial complex rent that has not been collected for more than 10 years was Rs. 498,412.	The relevant individuals have been informed to pay the outstanding rent and the money due for the commercial complex will be collected in installments.	Action should be taken to collect the arrears of revenue.
(d) Rs. 3,066,331 was due for the beef shop and fish market, including Rs. 1,427,069 that was more than a year.	That steps will be taken to recover the arrears of rent.	Efforts should be made to collect the arrears of revenue.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Although when selling land plots, a plot of land in a suitable location for community recreation and public activities should be allocated from the relevant land, 04 plots of land that had been assigned to the Pradeshiya Sabha for that purpose through 03 land auctions in the previous years had been allocated from unusable areas with slopes.	When granting approval from the Pradeshiya Sabha for land auctions in the future, steps will be taken to allocate a piece of land in a more suitable location for community recreation activities.	Steps should be taken to allocate land plots from suitable locations.
(b) The boundaries of 16 plots of land acquired by the sabha through land auction had not been cleared and security measures had not been taken by using protective fences. Unauthorized cultivation had been carried out on 02 of these plots of land and the owner of a nearby land had illegally constructed his house and part of the wall on that land, covering about 04 perches out of a land measuring 10.1 perches.	Due to the large number of land plots and the lack of sufficient workers at the Pradeshiya Sabha, there is a problem in allocating this work along with other duties.	Necessary actions must be taken to protect the property owned by the sabh.
(c) By the end of the year under review, steps had not been taken to identify the selling price of the shares sold at the Prime Land City dale auction site, which had been approved in 2022, and to recover the fees due thereon.	The relevant parties have been informed to provide the sabha with the deeds stating the sale price.	Steps should be taken to recover the fees due to the sabha.

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Council	Recommendation
The lessees of 04 stalls at the Madampe Fish Market, which were leased without a contract in 2021, had given affidavits on 02 February 2024 stating that they had not traded in those stalls. However, it was questionable that a deficit	Letters are being prepared to inform the relevant merchants to pay.	Action should be taken to collect the arrears of revenue.

balance of Rs. 372,300 was recorded in the documents relating to those stalls and that the sabha had no confirmation as to whether those stalls had been closed since 2021.

3.3 Contract Administration

Audit Observation	Comments of the Council	Recommendation
(a) Rs. 184,021 had been overpaid due for work items of the most advantageous rate for the painting of ceiling sheets in the construction of the sabha's crematorium. Also, Rs. 335,931 had been overpaid for 03 other work items for uncompleted work.	In doing this work, it is not possible to apply paint at the same time as on a wall. The sheets had to be painted separately and the two coats had to be applied. SSR has been prepared and payments have been made. Therefore, there has been no loss to the institution.	Answers are not acceptable. Over payments should be charged.
(b) An overpayment of Rs. 80,147 had been made due to incorrect mention of the total of the special schedule fees prepared for the construction of a new bridge in Rakwana and the Rakwana Water project.	Since the total is incorrect, the overpaid amount will be deducted from the retention amount.	Over payments should be refunded.
(c) (i) An overpayment of Rs. 129,595 had been made for 04 work items in the construction of the rest room at the Balawinna garbage yard.	If there has been an overpayment in this industry, steps will be taken to recover it.	Over payments should be charged.
(ii) The concreting of the road leading to the Balawinna Garbage Yard was completed on 31 December 2023 at a cost of Rs. 1,449,297. However, as the road was not completed in accordance with the prescribed specifications, the concrete on that road had come off , rendering the road unusable when 18th of February 2025	Although there had been damage to this road by February 2025, before there had been no problems with it Also, since other heavy vehicles were also traveling on this road, a sign had been installed to stop it.	All industries must be completed in accordance with the prescribed specifications, and investigations must be conducted regarding these industries and those responsible must be determined.