

1. Financial Statements

1.1. Opinion

The audit of the financial statements of the Galle Heritage Foundation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in equity and 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 provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements of the Galle Heritage Foundation give a true and fair view of the financial position of the foundation as at 31 December 2022 in its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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 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 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, 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.

In preparing the financial statements, management is responsible for assessing the Galle Heritage Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Galle Heritage Foundation's financial reporting process.

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

1.4 Audit Scope (Auditor's Responsibility 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 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 board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the board to cease to continue as a going concern.
- Evaluate the 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 Galle Heritage Foundation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the board has complied with applicable written law, or other general or special directions issued by the governing body of the Galle Heritage Foundation.
- Whether it has performed according to its powers, functions and duties,
- 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 Financial Statements

Non-Compliance with Sri Lanka Public Sector Accounting Standards

Reference to Laws, Rules and Regulations etc.	Non-compliance with the reference to particular standard	Comments of the Management	Recommendation
Financial Regulation 880 and paragraph 06 of Circular No. 07 dated 16 October 1981	Although all officers authorized to act in respect of money or stock should post bail, Accountant of Galle Heritage Foundation, the bails were not posted by Accountant of the Galle Heritage Foundation, officers at the exhibition stalls and at the information center.	Kindly inform that action will be taken to retain the bail deposit money from the above officers.	Action should be made to retain the bail deposit money from the relevant officers as per the referred rules.

2. Financial Review

The operating result of the year under review amounted to an excess of Rs. 1,411,764 and the corresponding deficit in the preceding year amounted to Rs. 584,118. Therefore a growth of Rs. 1,995,882 was observed in the financial result. The main reasons for this situation were the receiving rental income of Rs. 2,442,667 and interest income on fixed deposits increased by Rs. 1,267,780 during the year under review.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) A building that was used as a hostel for labor inspectors during the British rule was used as a police headquarters until the year 2018 and although Galle Heritage Foundation had been handed over to the foundation for commercial use, the purpose had not been fulfilled by the audited date of 23 March 2023.	The conservation work of the building has been completed in the first quarter of 2023. I expect to complete the procurement work in April 2023 and hand over the building to suitable investors from May. Income from the building is to be received from May.	The building should be used for commercial purposes.
(b) The need to amend the Galle Heritage Foundation Act No. 07 of 1994 was recognized in order to gain more powers and increase revenue generation opportunities for the Galle Heritage Foundation. Although 10 years have passed since a Cabinet Memorandum was prepared for that purpose in the year 2015, the Act had not been amended by 31 December of the year under review.	Currently, the Act is being amended.	Action should be taken to amend the Act as soon as possible.
(c) It was observed that the access road to the “Kalu Kotuwa”, which is earned income from selling tickets as a tourist viewing point, is always closed by a gate as it is located in the DIG office premises of Galle. Accordingly, it was observed that the Galle Heritage Foundation does not generate enough income from this tourist spot.	The notice boards prepared and installed under the strategic city development project are prepared to make it easy to identify any location. Due to that, DIG’s residence and office are located in Kalu Kotuwa, the gate has been used for security. But there is no obstacle for tourists to visit the showrooms in Kalu kotuwa. Tourists visit Kalu kotuwa by getting common tickets from Sadhu gallery or Tharaka gallery in most.	The road should be arranged as tourists can have easy access to the viewing point without obstacle.

3.2 Human Resource Management

Audit Observation -----	Comments of the Management -----	Recommendation -----
There are 02 vacancies in the tertiary level position of Galle Heritage Foundation and 06 employees paid salary by Kadawathsathara Divisional Secretariat, 02 employees paid salary by Ministry of Buddhasasana, Religious and Cultural Affairs and 02 employees paid salary by Akmeemana Divisional Secretariat were excess in service as at 31 December of the year under review.	As per letter NH/Secretary/01 dated 20.01.2021 of the Secretary of State Ministry of National Heritage, Performing Arts and Rural Artist Promotion, recruitment for vacant posts had been temporarily suspended.	Action should be taken to properly manage vacancies and excess positions.

4. Accountability and Good Governance Sustainable Development Goals

Audit Observation -----	Comments of the Management -----	Recommendation -----
Every government institution should work according to the United Nation's 2030 "Agenda" on sustainable development. The Galle Heritage Foundation has been aware of how it should operate in relation to the tasks that come under its purview in relation to the year under review, but the sustainable development goals that can be further focused through local and foreign tourist attraction with protecting Galle Fort exception of one sustainable development goal had not been identified.	The only project implemented by the Galle Heritage Foundation in the year 2022 and 2023 was to preserve the old police quarters building, which was an ancient building, and to develop local industries and manufacturers unique to Sri Lanka, strengthen the local economy, and create a leading source of income for the Galle Heritage Foundation. Accordingly, I inform that Sustainable Development Goal 8.9 has been achieved.	Attention has been given only for Sustainable Development Goals 8.9, but since the areas that can be further focused have been identified, annual plans should be prepared to reach the Sustainable Development Goals by focusing on those areas.