

Gampola Urban Council - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Gampola Urban Council for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, 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 181(1) of the Urban Councils Ordinance (Chapter 255) 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 financial statements give a true and fair view of the financial position of the Gampola Urban Council as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices

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 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 Urban Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Urban Council 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 Urban Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Urban Council has complied with applicable written law, or other general or special directions issued by the governing body of the Urban Council;
- Whether it 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

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- The financial statements of the Urban Council 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 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 Policies

Audit Observation	Comments of the Council	Recommendation
In respect of 16 lawsuits which have not been finalized as on the balance sheet date, there was no disclosure in the financial statements.	It will be corrected in the next year.	It should be disclosed in the financial statements.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
At the end of the year under review, the stock balance was overstated by Rs.137,590 as compared to the stock registers.	It will be corrected in the future.	It should be accurately accounted for.

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
(a) There was a difference of Rs.73,205,271 when comparing the balances of 06 account subjects shown in the financial statements with the balances of their related schedules.	It will be corrected in the future	Account balances should be corrected.

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| (b) | According to the vehicle inventory maintained, there were 31 garbage carts, but there was a mismatch of 05 garbage carts as there were 36 garbage carts worth Rs.815,559 were shown in the financial statements. | It will be corrected soon. | Records should be maintained properly. |
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1.6.4 Documentary Evidences not made available for Audit.

Audit Observation	Comments of the Council	Recommendation
(a) Due to non-submission of legal deeds, schedules, related documents, files and Confirmation letters, fixed deposit certificates and confirmation of physical existence of 11 account balances totaling Rs.4,436,417,684 shown in the financial statements, they could not be satisfactorily verified during the audit.	Information will be corrected	Documents and files related to verification of account balances should be maintained up-to-date.
(b) The values of 76 lands and buildings amounting to Rs.6,610,525,372 in the schedules relating to fixed assets in the balance sheet as at the end of the year under review, could not be identified separately.	It will be documented in the future.	Records should be maintained properly.

1.7 Non- Compliances

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

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Council	Recommendation
(a) Urban Council Ordinance (Chapter 255) (i) 36 (e) (ii)	Council lands were leased to 134 people without the prior approval of the Minister, and rent of Rs. 3,736,411 was not collected.	The approval of the minister in charge was not obtained.	According to the provisions of the Act, land should be leased out under proper approval, and relevant rents should be collected.

(ii)	Section 164	The arrear management fee of Rs. 6,192,617 of the rest house owned by the Council was not collected from 2019 to the year under review	That the relevant money will be charged.	Arrears should be charged as per the Act.
(b)	In the Urban Development Authority Act No. 41 of 1978	During the sample inspection, it was observed that there were 04 constructions without a development permit issued by the council.	The plans will be provided with approval in the future.	It should be complied the Act.
(i)	Paragraph 28(1).	During the sample inspection, it was observed that there were 04 constructions without a development permit issued by the council.	The plans will be provided with approval in the future.	It should be complied the Act.
(ii)	Paragraph 84	Although a Conformity certificate is required to be issued for completion and occupancy as per the approved development permit and development plan, but 1692 building applications approved from 2008 to the year under review were not dealt with accordingly.	It will be Followed up	It should be complied with the provisions of the Act.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although the advances should be settled as soon as the given work is completed, 03 advances of Rs.225,000 from the year 2011 to 2019 had not been settled even by the end of the year under review.	The settlement will be done after approval.	It should be complied with Financial regulation
(i)	Financial regulation 371 (2)	Although the advances should be settled as soon as the given work is completed, 03 advances of Rs.225,000 from the year 2011 to 2019 had not been settled even by the end of the year under review.	The settlement will be done after approval.	It should be complied with Financial regulation
(ii)	Financial regulation 394	28 cheques of Rs. 563,753 which were issued in relation to the period from 2004 to 2010 and dishonored had not been settled.	The relevant investigations are being conducted.	It should be complied with Financial regulation.

(iii)	Financial regulation 571 (3)	62 lapsed deposits of Rs. 814,533 relating to the period of 2017 – 2020 had not been settled.	It will be settled in the future.	It should be complied with Financial regulation
(iv)	Financial regulation 1646	The log books and daily running charts of 13 vehicles related to the year under review were not submitted to the Auditor General.	It will be settled in the future.	It should be complied with Financial regulation
(d)	Public Administration Circular No. 30/2016 dated 29 December 2016	The fuel combustion of 12 vehicles had not been checked for a period of 02 years.	It will be done in the future	It should be complied with Circulars

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2023 amounted to Rs.67,273,302 as compared with the excess of revenue over recurrent expenditure amounted to Rs.68,793,142 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 of the Council relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	30,200,000	33,362,196	31,601,307	60,698,191	30,050,000	32,936,986	33,682,260	58,937,302
(ii) Rent	34,050,000	30,694,111	25,056,372	33,130,845	24,375,000	22,453,198	24,846,697	27,493,106
(iii) License Fees	2,800,000	3,685,664	3,737,664	21,000	3,300,000	2,737,733	2,689,733	73,000
(iv) Other revenue	56,420,000	49,285,454	40,905,259	79,869,177	57,750,000	69,060,026	56,843,948	71,488,982
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	123,470,000	117,027,425	101,300,602	173,719,213	115,475,000	127,187,943	118,062,638	157,992,390
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2.2.2 Revenue Administration

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

Audit Observation	Comments of the Council	Recommendation
(a) Rates and Taxes		
(i) At the end of the year under review, the outstanding assessment tax balance was Rs.60,698,191, and the total of assessment tax arrears per unit in between Rs.10,000 and Rs.50,000 from 1545 assessment units was Rs.28,670,115 and from 63 assessment units in between Rs.50,000 and Rs.100,000 was Rs.4,425,995 and Rs.4,058,773 from 16 assessment units exceeding Rs.100,000.	It will be recovered through Property seized.	Arrears should be recovered
(ii) According to Section 20 of the Assessment and Valuation Ordinance No. 30 of 1946, assessment should be done once in 05 years, but according to the assessment report of 2016, assessment tax has been levied for the year under review.	It has been forwarded to the Valuation Department.	It should be complied with the provisions of the Act.
(b) Stall Rent		
(i) At the end of the reviewed year, the outstanding rent balance was Rs.29,394,433, and the amount of Rs.13,452,546 had not been recovered related to 36 instances of arrear rent exceeding Rs.100,000. Among these, there was a arrears of Rs.5,503,332 in stall rent from 2014 to the year under review only in the CTB Bus Stand stallping complex bearing BSSC numbers.	That it has been forwarded to the Valuation Department for further revision.	Arrears stall rent should be recovered.
(ii) Due to non-payment of rent of Rs.1,438,788 due from the year 2002 by a private company running in a building belonging to the council, a lawsuit was filed and orders were given by the District Court to collect the said rent in the year 2021, but by the end of the year under review, the relevant rent had not been collected.	That, the court decision is pending.	Arrears stall rent should be recovered.

(iii) 38 stalls in the public market complex were closed due to being unable to lease them, and 60 stalls which had been tendered and assigned for businesses were leased informally without entering into a contract.	It will be corrected in the future.	All stalls should be leased and formal lease agreements should be entered into.
(c) Other Income		
(i) The outstanding Advertisement fees at the end of the year under review were Rs.1,368,020, and therein Rs.601,920 relevant to the years 2020-2022 had not been recovered.	Action will be taken to collect arrears.	Revenue in arrears should be recovered.
(ii) There were no by-laws enacted regarding the three-wheeler charges, and as at the end of the year under review, the outstanding three-wheeler charges were Rs.6,798,757. Among them, the outstanding balance of Rs. 6,534,057 for the period 2016-2022 was not recovered.	Action will be taken to collect arrears.	Revenue in arrears should be recovered.
(d) Court Fine and Stamp Fees		
Court fines amounting to Rs.1,229,605 and stamp duty amounting to Rs.64,559,085 were due from the Chief Secretary of the Provincial Council and other authorities on December 31 of the year under review.	It will be recovered in the future.	Stamp duties and court fines for the year should be collected.

3. Operational Review

3.1 Fulfillment of functions assigned 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 Council under Section 4 of the Urban Councils Ordinance are shown below.

Audit Observation	Comments of the Council	Recommendation
(a) Without using the recurrent income in the previous years for regional development Rs.133,233,067 had been invested in fixed deposits.	It need to be used for development activities according to a plan.	Surplus money should be used for development activities.

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| (b) | Due to the absence of solid waste disposal management system for garbage collected by the Urban Council and due to non-collection of waste by the Kundasale Pradeshiya Sabha, the garbage was transported to Dambulla and Ulapane garbage yards. Due to this, an additional expenditure of Rs.3,320,940 was incurred during the year under review. | Increasing amount of garbage, and difficult to transport in Kundasale. | Waste should be managed within the council area and costs should be minimized. |
| (c) | According to the provisions of Section 118 of the Urban Council Ordinance (Chapter 255), no arrangements were made to maintain a gully service for the disposal of sewerage from the houses in the area. | It will be planned to construct a relevant project. | It should be complied with the Act. |

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The sum of 03 accounts receivable balances as on December 31 of the year under review was Rs.5,771,954, out of which the sum of account balances for 1 to 5 years was Rs.50,868 and the sum for more than 5 years was Rs.3,721,086.	Action will be taken to recover	Receivable balances should be recovered.
(b) The sum of 02 account balances payable as on December 31 of the year under review was Rs.27,348,898, of which the sum of account balances between 1 and 5 years was Rs.8,781,131 and the sum for more than 5 years was Rs.6,616,328.	Action will be taken to settle in the future.	Payable balances should be settled.

3.3 Idle or Under-utilized Property Plan and Equipment

Audit Observation	Comments of the Council	Recommendation
(a) 03 vehicles worth Rs.9,041,373 and 04 trailers worth Rs.613,800 as at the end of the year under review remained idle and underutilized for a period between 01 and 08 years.	Action will be taken to auction and repair in the future.	Action should be taken to dispose of or repair.

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| (b) | 05 butcher stalls in the public market owned by the council were closed since 2016, without being used for a purposeful activity. | It will be arranged to tender. | It should be tendered and earn income. |
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3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) The ownership of the double dam roller machine worth Rs.1,600,000, the trailer number 44 Sri 7691 worth Rs.53,500 and the Bobcat machine worth Rs.4,394,000 had not been taken over.	The Ownership will be taken over.	The Ownership should be taken over.
(b) Although unauthorized people had settled in 98 plots of land belonging to the council in Sandasiriwatta, the residents had not been removed and the security of the council's property had not been ensured.	After receiving the NBRO reports, action will be taken.	Security of council property should be ensured.
(c) The Bothalapitiya land, which was transferred to the council by the transfer orders, was not assessed and accounted for.	Action will be taken to assess the Assets.	Valuation reports should be obtained and legal documents submitted.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
(a) Comparing the approved staff with the actual staff, there were 76 vacancies in 03 posts and 11 excess in one post.	The Local Government Commissioner's Office has been informed.	Vacancies should be filled.
(b) A total of Rs.1,180,614 loan balance from 33 officers and employees who were transferred, retired and terminate the service during the period from 2001 to the year under review, had not been recovered.	Action will be taken to recover.	Loan balance should be recovered.

**4. Accountability and Good Governance
Sustainable Development Goal**

Audit Observation

Although the council had identified sustainable development goals and targets, indicators for achieving them and measuring progress had not been identified.

**Comments of the
Council**

Action will be taken to achieve goals and objectives and measure the progress

Recommendation

Objectives and targets should be identified and implemented.