

Gampola Urban Council - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Gampola Urban Council for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 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 sub-section 10 (1) of National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to parliament appear in this report

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Gampola Urban Council as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 of the Urban Council 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 Urban Council are in consistence with that of the previous year as required by 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 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The library fixed deposits of Rs.752,931 held as at the end of the year under review were not disclosed in the financial statements.	Action will be taken to correct it in the future.	Accounts should be prepared correctly.
(b)	The outstanding loan interest of Rs.38,073,118 related to the Local Credit and Development Fund that was payable by the Council had not been accounted for.	Action will be taken to present it through journal entries in the future.	-Do-
(c)	The total debit balances of various creditors shown in Journal No. 77 had been under-calculated and accounted for by Rs. 354,628.	Action will be taken to correct it through journal entries.	-Do-
(d)	Expenses of Rs. 561,686 paid during the year under review had been accounted for under various creditors as at the end of the year under review.	-Do-	-Do-
(e)	While the entry in Journal No. 45 stating as a correction to the adjustments for the year 2023 and had cancelled off the debit entry with Rs. 163,813 to the Local Credit and Development fund and credit entry to the Accumulated Fund, but the same amount had been erroneously credited with Rs. 163,813 to the Accumulated Fund and then the Local Credit and Development Fund had also been debited.	-Do-	-Do-

1.6.2 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Council	Recommendation
(a)	When comparing the balances of 06 asset subjects shown in the financial statements with the relevant schedules as at the end of the year under review, a difference of Rs. 84,545,686 was observed.	Action will be taken to correct it promptly.	Account balances should be adjusted to match the relevant schedules.
(b)	A difference of Rs. 115,740 was observed between the fixed asset balance and the balance of the contribution from income to capital application account.	The loan balance cannot be found.	The balance of the fixed assets account and the balance of the income contribution to capital application account should be equal.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
According to Journal No. 78, although adjustments of Rs. 11,848,761 had been made to the Accumulated Fund and various creditors to adjust the over-allocation and under-allocation of creditors in previous years, the information relating to that adjustment was not submitted for audit.	Action will be taken to correct the creditor balance in the future.	Evidence supporting all transactions should be submitted to the audit.

1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows

	Reference to Laws, Rules Regulations	Non-compliance	Comments of the Council	Recommendation
(a)	Parliament Acts Section 83.1 of Part VI of the Planning and Building Regulations as amended under Section 21 of the Urban Development Authority Act, No. 41 of 1978, published in the Extraordinary Gazette notification 2235/54 dated 08	Certificates of Conformity had not been issued for 226 building applications approved between 2020 and 2024.	Further action will be taken.	Buildings should be inspected and certificates of conformity should be issued.

July 2021, read with Section 08 of that Act.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) F.R. 571(3)	87 lapsed deposits of Rs. 1,714,543 relating to the period from 2017 to 2024 had not been settled.	Further action will be taken promptly.	Lapsed deposits should be settled.
(ii) F.R. 486	Although 24 cheques worth Rs. 556,853 had been dishonoured, necessary action had not been taken in this regard by the end of the year under review.	104(3) investigations are currently being conducted.	Relevant investigations should be conducted promptly and the money should be recovered.
(c) Planning Circular 08 of the Urban Development Authority No. 05/1/119 dated 30 September 1987	Although the money in the investment account opened on behalf of the Urban Development Authority can be used for regional development upon inquiring with the Urban Development Authority, none of the money from the balance of Rs. 1,632,902 available as at the end of the year under review had not been used for regional development.	Necessary action will be taken	The money in the account should be used for regional development.
(d) Other circulars Circular No. 1988/22 of the Commissioner of Local Government dated 17 th May 1988	Although the property subject to rates should be assessed at least once every 5 years, rates were levied for the year 2024 based on the assessment carried out in the year 2008.	It has been referred to the Valuation Department.	The relevant property should be assessed every 5 years and rates should be levied.

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. 76,622,817 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 67,273,302 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.

		2024				2023			
	Source of Revenue	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	34,205,500	34,334,628	30,679,761	64,371,059	32,505,500	33,362,197	31,601,307	60,716,192
(ii)	Rent	62,249,400	39,958,548	48,715,835	91,647,326	45,870,000	28,270,288	22,474,868	100,404,613
(iii)	License Fees	4,201,300	7,407,590	6,321,840	2,695,812	3,950,000	3,685,664	3,737,664	1,610,062
(iv)	Other revenue	127,025,500	83,013,208	106,332,556	50,788,249	132,447,200	51,464,626	43,504,763	74,107,597
		227,681,700	164,713,974	192,049,992	209,502,446	214,772,700	116,782,775	101,318,602	236,838,464

2.2.2 Performance in Revenue Collection

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

Audit Observation	Comments of the Council	Recommendation
(a) Rates and Tax		
(i) Rates		
The arrears of rates as at 31 st December of the year under review was Rs.63,355,277, out of which Rs.37,287,464 should have been collected from 1741 assessment units with an arrears of more than Rs. 10,000. The arrears of revenue had not been collected in accordance with Section 170 of the Urban Councils Ordinance No. 18 of 1987 (Chapter 255).	Action will be taken to recover the arrears.	Arrears of revenue should be collected promptly.

(ii) **Land Tax**

As of 31st December of the year under review, the council land tax arrears amounted to Rs. 3,546,235, and within that arrears, Rs. 3,206,028 had not been collected from 64 units with arrears exceeding Rs. 10,000.

Out of the arrears as of 23 may 2025 Rs. 456,938 has been recovered

Arrears of revenue should be collected promptly.

(iii) **Entertainment tax**

There was a balance of Rs. 429,732 as on January 01 of the year under review, and the billing for the year under review was Rs. 423,821, so a total of Rs. 853,553 should have been recovered, but Rs. 792,781 had not been recovered as on 31 December of the year under review

Action will be taken to recover the arrears promptly.

Arrears of revenue should be collected promptly.

(b) **Stall Rent**

(i) As of the end of the year under review, a total of Rs. 34,186,000 in stall rent had not been collected from 184 stalls in 05 public market complexes owned by the Urban Council.

Action will be taken to recover the arrears.

-Do-

(ii) As of the end of the year under review, a total of Rs. 1,742,217 in stall rent had not been collected from 03 meat stalls and 05 fish stalls belonging to the council.

-Do-

-Do-

(c) **Court fines and Stamp duty**

Receivables Court fines of Rs. 324,250 and stamp duty of Rs. 40,136,100 were due from the Chief Secretary of the Provincial Council and other authorities as of 31 December 2024.

Rs. 79,000 of the outstanding amount has been recovered.

-Do-

(d) **Other Income**

(i) **Recovery of Three-wheeler fees**

As of 31st December, of the year under review, the three-wheeler parking fee arrears were Rs. 5,266,058, and out of those arrears, Rs. 2,883,000 had not been collected from 225 units with arrears of more than Rs. 10,000.

Necessary actions are being carried out.

-Do-

(ii) Rest house fee

Action had not been taken to collect the outstanding Rest house fees amounting to Rs. 7,807,021 as on 31st December of the year under review, which had been due since the year 2019

Actions are already being taken

Arrears of revenue should be collected promptly.

(iii) Advertisement board charges

In accordance with Section 39.1.2 of the Local Government (Standard By-Laws) Act, published in Gazette No. 520/07 dated 23rd August 1988, action had not been taken to collect Rs. 1,668,320 as at the end of the year under review.

-Do-

-Do-

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The arrears of Rs. 6,210,832 had not been recovered from a lessee of the Shopping Complex at Gampola SLTB Bus Stand as of the end of the year under review. Also, although council decision No. 04:1:XIX was passed on 23 March 2022 to obtain a stall rental assessment report, the application for the assessment was delayed until 08 February 2024.	The request for the assessment was delayed.	Revenue collection should be done and appropriate action should be taken regarding negligence of officials.
(b) A total of Rs. 4,739,175 in rent had not been paid for the property acquired on lease from the Railway Department from the year 2021 to the end of the year under review.	The necessary further steps will be taken promptly.	Lease rent payables should be settled.
(c) From the year 2016 to the year under review, building application inspection fees amounting to Rs. 1,428,730 had been retained in the deposit account without being credited to revenue.	-Do-	It should be taken to income
(d) As of the end of the year under review, a balance of Rs. 1,406,220 had not been recovered from 31 employees who had	Action will be taken to recover the amount in the future.	Action should be taken to settle

transferred, retired and left the service for a period of 01 to 05 years.

employee loan
balances.

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| (e) | As per the Circular No. 2020/06 of the Commissioner of Local Government dated 28 th September 2020, the surplus funds of the Council should be invested in projects that can generate revenue for the Council, property development or projects that provide public amenities to the majority of the people, but without doing so, there was a balance of Rs. 143,094,019 in fixed deposits, Rs. 21,169,252 in the savings account and Rs. 155,519,856 in the current account as of 31 st December of the year under review. | Actions are being taken | It should be used in a manner that achieves the objectives stated in the circular. |
| (f) | 19 stalls in the public shopping complex were allowed to operate informally without entering into a contract. | They will be transferred to others. | A formal contract should be entered into and the prescribed rent should be charged. |

3.2 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Comments of the Council	Recommendation
(a)	04 vehicles owned by the Urban Council, worth a total of Rs. 8,009,373, have been idle or underutilized for a period of 06 years.	The tractor is not currently in use, and the compactor should be released for repairs.	It should be used or disposed of.
(b)	38 stalls in the Public Market Complex had been closed without being utilized as of 31 st December of the year under review.	Once the assessment is received, it will be rented out under tender procedure.	The rental should be made following tender procedures.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Surveys had not been carried out to confirm the ownership of 102 lands used by the council.	The survey work will be carried out promptly.	The ownership of property owned by the council should be verified.

(b)	The ownership of 235 lands and buildings and a Bobcat machine worth Rs. 4,394,000 identified under the 2020 board of survey had not been taken over.	Further action will be taken.	The property owned by the council should be taken over.
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3.4 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
When comparing the approved and actual staffing, there were 79 vacancies in 22 posts and 11 excess in one post. This staffing vacancy situation had a huge impact on the efficient maintenance of public services.	Further action is being taken to recruit.	Vacancies should be filled and public services should be performed efficiently.

3.5 Vehicle fleet management

Audit Observation	Comments of the Council	Recommendation
A vehicle owned by the Council was given to a private vehicle repair company for internal repairs on 15 th June 2022, and although a period of 02 years and 06 months has passed, no steps have been taken to carry out the repairs and return the vehicle to the Urban Council.	The repairs are being carried out.	It should be followed up, repaired promptly, and utilized.