

Ganga-Ihala Korale Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ganga-Ihala Korale Pradeshiya Sabha 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 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and sub-section 10 (1) of 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 Ganga-Ihala Korale Pradeshiya Sabha as at 31 December 2024, and of its financial performance and 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 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 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

Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of documents and files relating to the water deposit balance of Rs. 103,625 in the financial statements as at the end of the year under review, it was not possible to satisfactorily verify during the audit.	It will be corrected in the future.	Documents, schedules and files necessary to verify the balance should be maintained.

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 Sabha	Recommendation
(a)	Pradeshia Sabha (Finance and Administration) Rules, 1988 Rule 59	A survey had not been conducted at the beginning of the year under review regarding the industries operating within the Sabha area.	-Do -	The survey should be conducted within the stipulated time and businesses should be identified.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	F.R. 571(3)	45 deposits worth Rs. 5,786,711 in the General Deposit Account From 2020 to June 2024, had not been settled.	It will be corrected in the future.	Lapsed deposits should be settled.

- (c) Paragraph 02 of the By-Law on Advertisements, published in the Extraordinary Gazette No. 1955/07 dated 23 February 2016
- As of the last day of the year under review, an amount of Rs. 117,763 had not been collected from 32 Advertisement boards.
- Do -
- Actions should be taken in accordance with the bylaws.

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.30,288,704 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 23,849,287 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 Sabha 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 Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue billed Rs.	Revenue Collected Rs.	Arrears as at 31 December Rs.
(i)	Rates and Taxes	3,882,520	3,950,144	3,551,701	1,821,627	5,982,520	2,936,972	3,151,859	1,423,184
(ii)	Rent	8,272,520	10,470,099	9,783,221	2,357,126	20,937,500	6,653,946	6,392,400	1,670,248
(iii)	License Fees	1,290,000	1,363,242	1,300,242	103,500	725,100	180,000	184,500	40,500
(iv)	Other revenue	38,571,500	43,684,672	47,084,668	28,769,224	62,673,000	32,685,162	33,362,273	32,169,220
	Total	52,016,540	59,468,157	61,719,832	33,051,477	90,318,120	42,456,080	43,091,032	35,303,152

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
<p>(a) Rates and Tax</p> <p>Rates</p> <p>As at the end of the year under review, there was total arrears of Rs.1,558,388, out of which 60 assessment units above Rs. 5000 per unit had a total arrears of Rs. 597,646. In this regard, action had not been taken to recover the arrears of rates in accordance with Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987.</p>	<p>Action will be taken to recover</p>	<p>Revenue should be collected in accordance with the provisions of the Act.</p>

(b)	Rent Action had not been taken to recover the arrears rent of Rs. 1,674,880 from 14 stalls belonging to the Sabha, which had been carried forward from 3 years.	Action will be taken to recover the amount in the future.	The arrears should be collected.
(c)	Other Income		
(i)	Court fines and Stamp duty Court fines of Rs. 477,166 and stamp duty of Rs. 26,605,530 should have been collected from the Chief Secretary of the Provincial Council and other authorities as of 31 December 2024.	Action will be taken to recover the amount in the future.	Action should be taken to collect court fines and stamp duties.
(ii)	Three-Wheeler parking charges There was arrears balance of Rs.1,451,730 as on January 01 of the year under review and it was Rs. 1,396,830 as on 31 December. Out of this, there was a balance of Rs. 661,340 due from 27 individuals which carried forward for more than 05 years.	Action will be taken to recover the amount in the future.	The arrears of revenue should be recovered.

3. Operational Review

3.1 Identified losses

Audit Observation

During the physical inspection of the running chart and milometer on 27 February 2024, according to the milometer of a cab, the distance driven was 262,779 kilometers, and according to the running chart, the distance driven on that day was 267,797 kilometers. It was observed that 5,018 kilometers had been over-recorded in the running chart, resulting in the misuse of 627 liters of fuel worth Rs. 227,601.

Comments of the Sabha

Action will be taken to recover the losses incurred by the government.

Recommendation

The loss caused to the fund should be recovered, the internal control system should be prepared to prevent such irregularities from occurring in the future, and an investigation should be conducted into the misuse of vehicles and action should be taken against the responsible officers.

3.2 Management inefficiencies

Audit Observation

- (a) Certificates of conformity had not been issued for 293 building plans approved by the Sabha during the period from 2022 to 2024.

Comments of the Sabha

Action will be taken in the future.

Recommendation

Action should be taken to issue certificates of conformity for buildings used for residence.

(b)	The total of 06 accounts receivable balances as of 31 st December of the year under review was Rs.23,271,558, of which the total of account balances relating to the period of 1 to 5 years was Rs. 5,560,195 and the total of balances existing for more than 05 years was Rs. 1,467,290.	Action will be taken in the future.	Receivable balances should be collected.
(c)	The total of 02 accounts payable balances as at 31 st December of the year under review was Rs.28,551,235, of which the total of the account balances relating to the period 1 to 5 years was Rs. 2,739,305 and the balance outstanding for more than 05 years was Rs. 428,170.	Action will be taken to pay immediately	Balances payable should be settled.
(d)	The two-storey building located near the Aethgala playground belonging to the Sabha was handed over to the new Aethgala Police Station from 1 November 2021, without obtaining the approval of the Minister in charge of the subject and without entering into a contract and charging rent.	Action will be taken in the future.	The relevant approvals should be obtained, contracts should be entered into, and action should be taken to collect rent.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
The waste incinerator, which was purchased on 28 September 2020 for Rs. 2,494,800, had been idle for about a year.	It will be used in the future.	Incinerators should be used for waste management.

3.4 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the Pradeshiya Sabha (Finance and Administration) Rules 218 of 1988, a board of survey should be conducted once every year, but despite the appointment of a survey board on 23 November 2022, the relevant board of survey had not been conducted by the end of the year under review.	It is expected that an asset survey will be conducted in the future.	Assets should be surveyed in accordance with Rule 218.

(b)	The ownership of 25 plots of land used by the Pradeshiya Sabha had not been taken over in accordance with Section 127 of the Pradeshiya Sabha Act No. 15 of 1987.	No comments	The property owned by the Sabha should be taken over.
(c)	Although the Sabha had paid Rs.9,993,090 to the Land Reforms Commission on 28 th April 2023 to acquire the land located in Kurunduwatta measuring 01 acre 03 roods 05.26 perches belonging to the Land Reforms Commission, the ownership of that land had not been acquired by the end of the year under review.	Action will be taken in the future.	Follow-up should be expedited and steps should be taken to acquire the land.

3.5 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
When comparing the approved and actual staffing, there were 10 vacancies in 08 posts and 11 excess in one post.	No comments	Employee vacancies and excess should be managed.