

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Godakawela Pradeshiya Sabha for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, cash flow statement, statement of changes in equity, significant accounting policies and the summary of other explanatory 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 the sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 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 accompanying financial statements give a true and fair view of the financial position of the Godakawela Pradeshiya Sabha as at 31 December 2022 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

My opinion is qualified 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 Responsibility for the Audit of 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 financial reporting process of the Pradeshiya Sabha.

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 its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Audit Scope (Auditor's Responsibility 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 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 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 contents of the financial statements including the disclosures and whether the financial statements represent the underline 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 the Pradeshiya Sabha 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) As per requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statement of the Pradeshiya Sabha is corresponded with financial statements of the previous year.

- (b) The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (i) (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) 02 Completed projects and 03 buildings totaling Rs. 5,151,365 were not accounted.	That will be corrected in the year 2023.	It should be corrected.
(b) The value of 02 constructed buildings were accounted more than Rs. 1,100,467.	That will be corrected in the year 2023.	It should be corrected.
(c) There was a difference of Rs. 886,362 in 02 accounting subjects between the balances as per financial statements and the balances as per source documents at the end of the year under review.	There were no comments.	Should be identified reasons for the difference and solved.

1.7 Non-compliance

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

Non-compliance with Laws, Rules, Regulations and management decisions are as given below.

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) I Advances of Rs. 1,468,165 granted during the period from the year 2012-2022 contrary to the Financial Regulation 371 were not settled.	I Action is being taken to settle the unsettled advances.	Action should be taken as per Financial Regulations.
II Overdue miscellaneous deposits amounting to Rs. 734,050 between the year 2007 and 2020 were not settled as per Financial Regulation 571 (2).	II Overdue miscellaneous deposits are being settled as soon as settle the agreed bail deposits.	
(b) By- laws were not enacted for 09 main matters under section 126 of the Pradeshiya Sabha Act.	That the sub documents of the by-law 21 be published annually in the gazette.	Should be act as per the Act.

2. Financial Review

2.1 Financial Result

According to the submitted financial statements, the income exceeding the recurrent expenditure of the council for the year ended 31 December 2022 was Rs8,287,136 and the correspondence income exceeding the recurrent expenditure of the previous year was Rs. 13,544,808.

2.2 Revenue Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

According to the information submitted by the council, the information about the estimated income, billed income, collected income and arrears of income related to the year under review and the previous year is given below.

Income Source	2022				2021			
	Estimated income	Billed income	Collected income	Total deficit as at 31 December	Estimated income	Billed income	Collected income	Total deficit as at 31 December
-----	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessments and tax	5,935,099	6,392,614	5,706,053	4,107,494	5,916,262	6,074,294	5,660,660	4,045,981
Rentals	16,974,811	11,363,452	10,111,641	3,909,026	15,788,919	9,299,126	7,537,017	2,668,617
License fee	1,974,000	1,909,928	1,909,928	-	1,739,100	1,870,692	1,870,692	-
Other income	<u>4,780,466</u>	<u>1,549,773</u>	<u>4345572</u>	<u>549,475</u>	<u>4,722,260</u>	<u>1,983,391</u>	<u>4,142,604</u>	<u>486,742</u>
	<u>29,664,376</u>	<u>21,215,767</u>	<u>22,073,194</u>	<u>8,565,995</u>	<u>28,166,541</u>	<u>19,227,503</u>	<u>19,210,973</u>	<u>7,201,340</u>

2.2.2 Performance of the Revenue Collection

The observations regarding the performance of the revenue collection of the council are given below.

Audit Observation	Comments of the Council	Recommendation
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(a) There was an arrears assessment balance of Rs. 1,210,025 more than 05 years old and arrears of acre tax balance of Rs. 152,966 more than 03 years as at 31 December 2022.	Due to the issuance of red notices and the economic crisis, it is difficult to ban property and according to the Agrarian Council, the acreage property tax survey could not be done due to the lack of information on land.	Arrears of revenue should be collected.
(b) Due to 09 institutions had not renewed their environmental permits in the year 2022 and 08 telephone transmission towers had not collected business tax, an income of Rs. 68,550 had been lost.	04 Environmental licenses have been submitted to be renewed and 05 licenses have been notified to be renewed and the taxes for the towers have not been paid.	Revenue should be collected promptly.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) Rs. 2,771,927 had been spent to renovate the Madampe fish market which cost Rs. 5,654,649. But, some of the traders are selling fish in front of the market due to weak construction.	Cases have been filed against the traders. The traders have been informed that the illegal planks will be removed.	The construction of stores should be well studied and planned.
(b) The 03 months security deposit of Rs. 774,000 for Madampe fish stall was not collected according to the circulars of the Local Government Commissioner. 08 rooms were leased without contract. Also, Rs. 2,358,800, which has been outstanding for 02-08 months, was not collected from 31 rooms.	03 Months bail was not obtained because the assignment was done without agreement. Due to that the traders have decided not to pay until the deficiencies in the construction are rectified, the collection of arrears has also become problematic.	Action should be taken as per the relevant circular and arrears should be collected.
(c) 25 Unauthorized constructions had not been removed from the year 2019 to the year 2021 as per section 47 of the Pradeshiya Sabha Act No. 15 of 1987.	Technical officers are following up about unauthorized construction now.	Should be followed section 47 of the Pradeshiya Sabha Act.
(d) 270 Water meters were purchased in the year 2016 at Rs. 742,500 for water projects. Out of this, 177 meters were unused and water meters were not installed for 185 houses. Also, Rs. 18,128 to be charged as water charges from 12 housing units was more than 03 years old.	Action is being taken about the government quarters and other money is being recovered through mobile services.	Arrangements should be made to install unused water meters in houses without meters and to collect arrears.
(e) Although Rs. 17,365,539 was spent for 18 employees and 04 vehicles to dispose 1800 metric tons of solid waste, that were not disposed in an environmentally friendly. Also, the building of Rs. 2,718,707 and the baler machine (Hydraulic Vertical Baler) at Rs. 950,000, which were built for non-perishable waste, remained unused till 31 December 2022.	As there is no proper place, the garbage is disposed directly to the yard. It is expected to produce compost from garbage. Sell or destroy non-perishable garbage and use the baler machine when electricity is supplied in future.	A solid waste management plan should be developed and implemented and assets should be utilized effectively.

- (f) Although immovable property should be valued once in 05 years, the assessment was being collected according to the assessment valuation of the year 2013. A new valuation is scheduled to be done in the year 2023 by the Valuation Department. Assessable property should be valued once in 05 years.

3.2 Contract Administration

Audit Observation -----	Comments of the Council -----	Recommendation -----
(a) Due to the abandonment of the construction of the Balavinna compost yard, Rs. 1,223,807 paid for it had become an uneconomical expenditure.	Although the work cannot be completed, the Provincial Chief Ministry has agreed to provide money to solve the garbage problem.	The spent money should be used effectively.
(b) 876 stones purchased for the road connecting Elpitiya temple road and Nambuluwa were not laid on the road and Rs. 56,940 paid for it was incorrect.	Arrangements have been made to get the quantity of stones that was not laid to the council.	Necessary steps should be taken to get those stones.
(c) Rs. 391,492 was overpaid for the construction of the Godakawela week fair site and a loss of Rs. 73,686 had been incurred due to the higher tender being offered for the construction of the toilet system due to incorrect information.	If this is an overpayment, it will be charged from the contractor's retained money and since the contractor's record book submitted by the lowest bidder has not been updated, officers of the Local Government Commissioner's office have selected the institution that has completed all the documents.	Overpayments are subject to refund. Selection of contractors should be done in accordance with procurement guidelines.
(d) During the construction of Godakawela children's park, Rs. 39,913 was overpaid. About 80 percent of grass lawns that were laid in May 2022 at an expense of Rs. 94,230 had been damaged till February 2023 due to lack of proper maintenance.	That Rs. 39,313 will be deducted while paying the retained money. The grass lawns have been destroyed due to the large number of children visiting to the children's park.	Overpayments should be recovered and the park should be well maintained.
(e) The industry had been terminated in the year 2022 on mutual agreement, while only the concrete pillars and floor had been set up in Godakawela Crematorium. At that time, Rs. 1,000,000 had been paid for the work	The contract was terminated because the work could not be completed at the previous price. That is because contractor has said and that if there is an overpayment, it will be	Additional payments should be collected and necessary action should be taken for effective utilization of the money spent as per existing rules

done and it was also recommended to pay Rs. 1,040,460. Also, additional payments of Rs. 385,752 were recommended for price adjustment in the second bill. deducted from the retentions. and regulations.

- (f) Rs. 92,752 had been paid for work that did not conform to specifications during the construction of the non-perishable waste collection center. Such mistakes will not be made from now. Overpayment should be refunded.