

Galnewa Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Galnewa Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of Changes in Net Assets/Equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 provisions of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Galnewa Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Unqualified 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 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 Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.18,139,024 as compared with the excess of revenue over expenditure amounted to Rs.6,683,088 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 submitted by the Secretary of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year are mentioned 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	3,160,900	3,076,925	3,224,325	1,218,700	2,713,750	1,251,800	1,134,500	1,366,100
(ii) Rent	11,847,400	8,633,754	8,038,900	5,712,071	13,983,850	6,895,250	6,586,531	5,117,217
(iii) License Fees	1,472,600	1,392,525	1,395,625	173,825	1,539,050	271,000	282,000	176,925
(iv) Other revenue	43,220,596	32,690,691	24,834,927	21,339,331	8,826,520	27,045,936	27,121,520	13,483,567
	<u>59,701,496</u>	<u>45,793,895</u>	<u>37,493,777</u>	<u>28,443,927</u>	<u>27,063,170</u>	<u>35,463,986</u>	<u>35,124,551</u>	<u>20,143,809</u>

2.2.2 Performance in Revenue Collection

Following are the observations regarding the revenue collection performance of the sabha.

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and Taxes		
As at 31 December of the year under review, outstanding garbage charges of Rs.984,650 were to be collected, and it had not been recovered out of which 35 percent which was Rs.351,850, for more than 02 years.	That during the first quarter of 2024 Rs.189,200 have been recovered from the arrears of garbage taxes.	Actions should be made to collect the arrears of garbage tax.
(b) Rent		
(i) A sum of Rs.3,115,300 due for the rental of 51 shop rooms owned by the pradeshya Sabha had not been collected by 31 December of the year under review.	Out of Rs.1,999,250 from this rent arrears have been filed lawsuits and the rest of the arrears will be recovered.	Actions should be taken to recover the arrears.
(ii) A sum of Rs.1,000,637 due for 06 assets for which trading rights are leased had not been collected as at 31 December of the year under review and Rs.176,534 rent arrears for more than 02 years and Rs.1,200,000 rent for more than one year had not been collected.	According to the case in this regard, the amount paid by the lessees to the court will be sent to the sabha by the court by a cheque.	Action should be taken to recover the arrears.
(iii) The Sabha had been lost an income of Rs.208,000 due to not conducting a formal survey or monitoring of Galnewa Weekly Fair in the year 2023.	That the actions will be taken to revise the Weekly Fair charges in the future.	A formal survey should be conducted on the Weekly Fair and actions should be made to collect fees.
(c) License Fees		
Trade license fees of Rs.173,825 and industrial tax and business tax of Rs.114,300 had not been collected by 31 December of the year under review.	That the actions will be taken to recover.	Action should be taken to recover outstanding license fees.

(d) Other Revenue

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| (i) | A sum of Rs.1,995,062 due for 05 water projects conducted by the Sabha had not been recovered by 31 December of the year under review. | That the actions will be taken to recover. | Actions should be made to recover the arrears of water charges. |
| (ii) | Court fines of Rs.18,127,135 and stamp duty of Rs.663,600 that should have been received from the Chief Secretary of the Provincial Council and other authorities by 31 December 2023 had not been received. | That the actions will be taken to recover. | Actions should be taken to recover. |

3. Operational Review**3.1 Performance of functions assigned by the Act**

The matters observed regarding the accomplishment of the functions that should be discharged by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabhas Act, such as, the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area, are mentioned below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to fulfill 30 main matters, but by 31 December 2023, any by-laws had not been enacted for those matters. That by-laws are being enacted.	That by-laws are being enacted.	Action should be taken to enact by-laws.
(b) Pradeshiya Sabha had 03 butcher shops but had not been arranged to build formal slaughterhouses.	That the necessary actions will be made in the future.	Construction of a slaughterhouse should be started.