

1. **Financial Statements**

1.1 **Qualified Opinion**

The audit of the financial statements of the Galewala Pradeshiya Sabha for the year ended 31December 2023 comprising with the Balance Sheet as at 31December 2023 and Income and Expenditure Account, and other explanatory information including a summary of significant accounting policies 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 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 Galewela Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices

1.1 **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.

1.2 **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 Scope of Audit (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

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
Although the opening balance of two creditors as on January 01 of the year under review was Rs.1,167,665, it was under-accounted by Rs.332,393 as Rs.835,272.	It will be corrected by the financial statements of the next accounting year	It should be correctly accounted for.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
A mismatch of Rs.40,857,666 was observed when comparing the balances of 05 accounting subjects mentioned in the financial statements	The relevant source documents will be prepared correctly	Account balances should be corrected.

with the related documents and schedules as at the end of the year under review.

1.6.3 Unauthorized Transactions

Audit Observation	Comments of the Sabha	Recommendation
In terms of 132(A) of the Pradeshiya Sabha Act No. 15 of 1987, Rs.3,012,985 had been spent for distribution of school equipment sets to low-income school children in Galewela area in the year under review without the prior approval of the Minister in charge.	It has been forwarded to the Governor for approval	The provisions of the Act should be followed.

1.6.4 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of documents, files and schedules relating to 02 asset items totaling Rs.23,495,764 and 02 liability balances totaling Rs.19,573,414 shown in the financial statements of the year under review, they could not be satisfactorily verified.	The relevant information will be identified and corrected.	Schedules, documents should be maintained for account balance.

1.7 Non- Compliances

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

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987			
(i)	Sections 81, 85 and 92	Due to the filling of soil and unauthorized construction by an outside party to the swamp land in the Belyakanda Siambala Lake Reserve, the natural water channel available for the water to flow into the lake was blocked, and due to the construction of the toilet, there	The investigations are being carried out	The provisions of the Act should be followed.

		was a possibility of faecal waste accumulating in the water of the lake.		
(ii)	Sections 93 to 95	There was no gully service maintained in Galewela Pradeshiya Sabha.	There is no gully service and there is no proper place to dispose of sewage.	The provisions of the Act should be followed.
(b)	Section 30(1), (2) of the Urban Development Authority Act No. 41 of 1978;	The validity period was not extended for 246 development permits issued between 2018 and 2021.	Due to the lack of officers, there is difficulty in conducting inspections and the condition of the constructions of nearly 05 years is being inspected.	The provisions of the Act should be followed.
(c)	Sections 1.2 and 1.3 of Chapter XII of the Code of establishment of the Democratic Socialist Republic of Sri Lanka	15 officers were absent for 303 days without approval of leave during the year under review.	The leave applications will be received and leave approval will be done prior to apply for leave in the future.	It should act according to the articles of the Establishment Code.
(d)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial regulation 104	The financial regulations were not followed, regarding the deficiency of 09 GI bar which was identified according to the board of survey reports of the year 2021.	The storekeeper has informed that deficient of GI bar will be delivered and if not, the loss will be recovered.	It should be complied with Financial regulation.
(ii)	Financial regulation 1646	The daily running charts of 19 vehicles belonging to the Sabha for the period from 01 to 07 months had not been submitted to the Auditor General.	Action will be taken to present.	It should be complied with Financial regulation.

(f) **Public Administration Circulars**

Circular No. 09/2009 dated 16 April 2009	A fingerprint machine was not used to record the arrival and departure of officers.	The machine is out of order and Action will be taken to repair or purchase a new machine.	Circular instructions should be followed.
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(g) **Treasury Circular No. 2/2017 dated 21 December 2017** A tractor received from the Ministry of Local Government and Provincial Councils in 2009 was not taken over to the Sabha. It will be taken over. Circular instructions should be followed.

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 2023 amounted to Rs.16,404,939 as compared with the excess of revenue over recurrent expenditure amounted to Rs.11,080,579 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	2,000,000	1,927,067	2,268,194	920,224	2,000,000	1,916,325	1,260,764	1,261,351
(ii). Rent	4,881,000	4,647,488	4,640,418	135,174	5,750,000	4,822,163	4,651,138	128,103
(iii). License Fees	4,450,000	5,141,032	5,913,402	-	4,250,000	4,390,625	4,309,625	772,370
(iv). Other revenue	46,866,000	28,611,276	18,112,597	22,097,163	41,890,000	29,979,382	25,449,885	11,598,483
Total	<u>58,197,000</u>	<u>40,326,863</u>	<u>30,934,611</u>	<u>23,152,561</u>	<u>53,890,000</u>	<u>41,108,495</u>	<u>35,671,412</u>	<u>13,760,307</u>

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
(a) Rates and Taxes			
(i)	In the year under review, assessment tax was collected on the basis of the assessment of 2011 without proceeding as per the Assessment and Valuation Act No. 30 of 1946.	The property will be assessed and assessment tax will be revised.	It should be complied with the provisions of the Act
(ii)	As on December 31 of the year under review, the arrears of assessment that should have been collected was Rs.920,223, out of which the arrears of assessment taxes amounting to Rs.526,506 from 67 units had not been collected for a period of 02 to 05 years. Hence it had not been acted upon Section 158 of the Pradeshiya Sabha Act No. 15 of 1987	Actions are being taken to recover.	Arrangements should be made to recover the arrears of income.
(iii)	As on 31st December of the year under review, arrears of assessment amounting to Rs.85,440, due from the Government Institutions had not been collected.	Do	Do
(b) Other revenue			
(i)	An amount of Rs.109,377 due from providing electricity units produced by the 40 kilowatt solar panel system installed in the Sabha office premises to the Electricity Board, had not been collected by the end of the year under review.	Do	Do
(ii)	As per the sample inspection of advertisement board in the Sabha area, 50 advertisement in 48 business premises were not identified during the annual survey, resulting an uncollected advertisement board revenue of Rs.113,500.	A survey will be conducted and revenue will be collected.	Action should be taken to recover income.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Pursuant to section 22 of the Urban Development Authority Act No. 41 of 1978, 09 plots of land consisting of land in an area of 03 acres 01 rood 06 perches of the Sabha area of authority assigned to the Sabha for community and recreational activities from the sub-divided lands, remained unutilized for community and recreational activities. Some of the land was used by unauthorized residents	The measures are being taken to ensure safety.	Arrangements should be made to use the relevant land for community and recreational purposes.
(b) Even though 03 ½ to 07 years have passed since the accidents of 05 vehicles owned by the Sabha, the Financial Regulation 104(4) investigation was conducted and the losses and responsible parties were not identified and necessary measures were not taken.	The investigations will be carried out.	It should be complied with Financial regulation.
(c) Last year, the Sri Lanka Information and Communication Technology Agency (ICTA) had provided 167 equipments of 22 items including computers to the Galewela Public Library for implementation of the Library by a digital system. Although 2000 digital cards were received on 28 June 2022 to establish the digital library on 26 November 2022, digital cards were not issued to 1667 active members by the end of the year under review. Due to this, the expected objectives of the project were not achieved.	Action will be taken to issue for all library members.	Action should be taken to fulfil the intended objectives of the project.
(d) Although an unauthorized road has been constructed and was being used by an outside party without the approval or permission of the Sabha via the land that was used by the Sabha to manage solid waste	Further action will be taken to correct it.	Arrangements should be made to ensure the safety of the assets of the Sabha
(e) Out of the 9 stalls in the wholesale market complex, 07 stalls were rented out with fewer facilities without repair, and the	The stalls will be demolished and rebuilt.	Arrangements should be made to renovate the stalls.

remaining 02 stalls were closed. There was no focus on renovate this land and related constructions and getting more income for the Sabha.

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| (f) | In the stall number 15 on the ground floor of the wholesale market, all the constructions were collapsed and cracked and were in a dangerous condition, endangering the property and lives of the business people. | That the stalls will be demolished and rebuilt. | Steps should be taken to remove dangerous stalls. |
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3.2 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) According to Section 131 of the Pradeshiya Sabha Act No. 15 of 1987, some part of the local council fund may be invested, but during the 12 months of the year under review, there was a balance of Rs.1,181,034 to Rs.19,208,910 in the current account of the Galewela branch of the People's Bank, but no arrangements were made to invest that money or to use it for the regional development	The investment is being made under the sweep system	It should be complied with the provisions of the Act.
(b) The driver of a lorry wrongly present the daily running charts exceeding the actual Running kilometers, and due to submitting bills and obtaining 120.47 liters more fuel, the Sabha fund had incurred a loss of Rs.42,960.	F.R. 104(3) investigation will be conducted and further action will be taken.	The loss should be collected and disciplinary action should be taken.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
02 vehicles worth Rs.2,300,000 as at the end of the year under review remained idle and underutilized for a period of 02 to 04 years.	Action will be taken to repair.	Assets should be repaired and utilized

3.4 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The ownership of 25 lands, 27 buildings and 59 cemeteries belonging to the council were not taken over.	The land will be taken over.	Actions should be taken to take over the ownership.
(b)	The land with 0.1994 hectares in Madipola and Pihillayaya belonging to the Sabha and the land in Tolambugolla, whose area is not mentioned, had not been assessed and accounted for.	It will be corrected by the financial statements of the next accounting year	Assets should be valued and accounted for.

3.5 Delays in Project Activities or Capital work

	Audit Observation	Comments of the Sabha	Recommendation
	The construction of a half-completed large scale library building at a cost of Rs.10,005,099 as on 31st December 2022, under the provision of Sabha, at Talakiriagama Public Library Premises, had been stopped.	After the work is completed, it will be opened for use by readers.	The construction work should be completed and put into use

3.6 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
	As compared to the approved staff of the Sabha, with the actual staff, 14 posts of Development Officer and 02 posts of laborer and 01 post of driver were excess.	In this regard, the top management is informed on a monthly basis	Vacancies should be filled. Arrangements should be made to fill vacancies and transfer excess officers