

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Galgamuwa Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, and statement of financial operations, statement of changes in equity, cash flow statement 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 the Provisions of the 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 Galgamuwa Pradeshiya Sabha as at 31 December 2023, 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

I express qualified opinion in respect of financial statements 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 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, 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 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 Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) Galgamuwa old bus stand trsde stalls and toilet system and main office building valued at Rs 8,927,325 had not been capitalized under land and buildings.	Actions will be taken to correct 2024 through final financial statements.	It should be accurately accounted for.
(b) The value of the road crushing roll had been overstated by Rs 4,000,000 in the financial statements .	Actions will be taken to correct 2024 through final financial statements.	It should be accurately accounted for.
(c) The value of a water motor valued at Rs 38,000 and 149 inventory items of 33 types of goods in Water Treatment Unit had not been assessed and accounted for.	Actions will be taken to correct 2024 through final financial statements	It should be accurately accounted for.

- (d) There were 07 cases which were not completed as at the last date of the year under review and it had not been disclosed in the financial statements in this regard. A sum of Rs.106,900 had been spent from the Sabha fund for the proceedings during the year under review.
- do-
- Contingent liabilities should be disclosed in the financial statements.

1.6.2 Lack of Written Evidence for Audit

Audit Observation	Comments of the Secretary	Recommendation
Due to non-submission of required information, 02 accounting items totalling to Rs 25,128,818 could not be satisfactorily examined in the audit.	Agree with the observation.	Required information should be submitted.

1.7 Non-compliance

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

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Secretary	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 152	Actions had not been taken to recover arrears for more than 05 years old.	Agree with the observation.	Actions should be taken in terms of the Section.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 570	Actions had not been taken in respect of 514 deposits valued at Rs 3,443,848 in terms of Financial Regulation.	Agree with the observation.	Actions should be taken in terms of Regulations.

- (c) Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016
- The fuel combustion of 07 vehicles and machinery had not been not checked.
- Agree with the observation.
- the Actions should be taken in terms of Circular.
- (d) Pradeshiya Sabha Financial and Administrative Rules
- (i) Rule 33
- Although a list of rates defaulters and a Distress Warrant of attachment of property shall be prepared by the assessment clerk at the end of each quarter and submitted for the signature of the Chairman, it had not been so done.
- Agree with the observation.
- the Actions should be taken as per the Rule.
- (ii) Rule 61
- Although all the projects included in the list obtained after conducting an annual survey should be included in the Register of Project Taxes, only businesses that pay fees were arranged to be included in the register. Tax-free projects were not included in the documents and no legal action was taken in this regard.
- Agree with the observation.
- the Actions should be taken as per the Rule.
- (e) **Local Government Circulars**
- (i) Section 1.2 of Department of Local Government Circular No. 2010/02 dated 30 July 2010
- Although a divisional transfer system should be implemented once in 02 years for officers who find it difficult to do so, it had not been so done.
- Agree with the observation.
- the Actions should be taken as per the Circular.

- (ii) Circular No. 03/2015 dated 02/11/2015 The Register of Street Lights had not been maintained up to date. -do- -do-
- (iii) Circular No. 2018/elocal government 01 dated 19/07/2018 Citizens were not facilitated to submit applications and make payments online. -do- -do-

2. Financial Review

2.1 Financial Results

As per the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2023 was Rs. 11,773,257 and the correspondence revenue that exceeded the recurrent expenditure of the preceding year was Rs. 17,224,730 .

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

As per the information presented by the Secretary , the details about the estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	Year 2023				Year 2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December (from Billed Revenue)
	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.	Rs.000.
Rates and Taxes	3316	3316	2643	673	4725	2961	2292	668
Rents	12327	12327	11344	983	22713	10628	9629	998
License Fees	3359	3359	3353	6	2120	2141	2141	-
Other Income	25139	24944	13099	11845	21958	27153	19076	8077
Total	44,141	43,946	30,439	13,507	51,516	42,883	33,138	9,743

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) There was an arrears of rates and tax balance of Rs.1,052,285 as at 31 December 2023 .	Agree with the observation.	Actions should be taken to recover balances of arrears of rates, to identify the owners of properties whose owner has not been identified and to settle the unrecognized difference in the future.
(b) Although the assessment of rates should be done once in 05 years, the last time the assessment of rates done by the Pradeshiya Sabha was in the year 2015.	-do-	Rates should be assessed and timely collected .
(c) There was an arrears of rent balance of Rs 435,921 to be received as at 31 December 2023 .	-do-	Arrangements should be made to collect arrears of balances promptly.
(d) The court fine and stamp duty to be received from the Chief Secretary of the Provincial Council and other authorities by 31 December 2023 were Rs.7,070,808 and Rs.4,774,297 respectively.	-do-	Arrangements should be made to collect arrears of balances promptly

3. Operational Review

3.1 Performing of Tasks enacted by the Act.

Audit Observation	Comments of the Secretary	Recommendation
Even though recurrent expenses of Rs 3,893,141 and capital expenses of Rs 1,435,000, totalling to Rs 5,328,141 had been incurred for solid waste management during	Agree with the observation.	Actions should be taken to manage biodegradable and non-biodegradable waste properly and to

the year under review, the revenue received from the sale of garbage was Rs.464,900 .

develop income generation activities.

3.2 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) The value of 05 accounts receivable balances as at 31 December of the year under review was Rs 24,222,287 .	Agree with the observation.	The balance to be received to the Sabha should be collected promptly.
(b) The total of 08 accounts payable as at 31 December of the year under review was Rs 48,982,744 .	-do-	The balances payable should be settled promptly in a formal manner.
(c) There was a debt balance receivable of officers who had been transferred amounting to Rs 13,461 .	-do-	Employee loans should be recovered properly.

3.3 Human Resources Management

Audit Observation	Comments of the Secretary	Recommendation
(a) There were 21 vacancies and 21 excesses in the approved staff of the Sabha.	Agree with the observation	The staff requirement should be reviewed periodically.
(b) A sum of Rs.2,500,271 had been paid as salaries and allowances in the year under review year for 07 employees who were recruited under casual, substitute, contract or daily allowance basis exceeding the approved staff.	-do-	-do-

3.4 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) Out of 151 cemeteries maintained by the Sabha 117 cemeteries had been not owned by the Sabha.	Agree with the observation.	Arrangements should be made to take over the assets.
(b) The Sabha had 3645 street lamp posts registered and the number of street lamp posts that were physically numbered was 20.	-do-	All street lights should be numbered.
(c) The value of Swarna Jayanthi library land, Nahettikulam Prajashala land and 07 buildings which had been identified as per the fixed assets verification had not been assessed.	Agree with the observation.	Accounting should be corrected.
(d) According to the Board of Survey reports as at 31 December 2023, there was a shortage of 109 GI pipes in the Solid Waste Management Centre.	Agree with the observation.	The reasons for the deficiency should be checked and further actions should be taken.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Secretary	Recommendation
There was a variation of 22 to 237 per cent between the estimated and actual income of 7 revenue items and a variation of 22 to 40 per cent between the estimated provision and the actual expenditure of 03 expenditure items had remained.	Agree with the observation.	Estimates should be prepared as rationally as possible.