

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Galenbidunuwewa Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024 and the Comprehensive Income Statement, Statement of changes in Net Assets /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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, 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, 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 Galenbidunuwewa Pradeshiya Sabha as at 31 December 2024, 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 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

1.3 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 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 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
An insurance policy of Rs. 54,730 had been obtained for the cab on 28 th November 2024 and the amount of Rs. 54,730 paid for it on 28 th January 2025 had not been accounted for as creditors in the year under review.	Accepted.	Expenses should be accounted for correctly.

1.7 Non-Compliances

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

Instances of Non-compliance with the Laws, Rules, Regulations and Management Decisions are as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	National Environmental Act No. 47 of 29 October 1980	Environmental protection license had not been obtained for 18 businesses during the year under review.	Accepted.	Action should be taken in accordance with the provisions of the National Environmental Act.
(b)	Section 3.1 of Public Administration Circular No. 30/2016 dated 29 th December 2016	Fuel combustion tests had not been conducted on 05 vehicles owned by the Sabha.	Accepted.	Action should be taken in accordance with the Public Administration Circular.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of Revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 2,584,681 as against the excess of expenditure over revenue amounted to Rs. 9,439,884 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	Estimated Revenue	2024			Total Arrears as at 31 December	Estimated Revenue	2023		Total Arrears as at 31 December
		Revenue billed	Revenue collected	Revenue billed			Revenue billed	Revenue collected	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes		4,685,327	5,269,627	3,906,702	3,781,540	2,656,827	2,644,393	2,574,711	5,533,458
(ii) Rent		8,173,200	8,230,450	8,089,050	1,666,093	10,142,350	6,057,105	6,346,250	1,440,660
(iii) License fees		650,000	682,500	682,500	307,500	820,000	1,074,080	1,042,080	408,500
(iv) Other Revenue		4,100,000	4,684,220	3,456,871	1,672,084	17,494,300	18,446,883	14,676,128	7,939,952
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		17,608,527	18,866,797	16,135,123	7,427,217	31,113,477	28,222,461	24,639,169	15,322,570
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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) Rent			
(i)	As at 1 st January of the year under review, there was arrears of rent of Rs. 367,010, but only Rs. 17,400 or 5 percent was received during the year under review.	Accepted.	Action should be taken to recover the outstanding amount.

(ii) An arrears of Rs. 421,850 were to be received from 07 individuals for a period of 02 to 03 years for renting out the machines owned by the Sabha.	Legal action is being taken to recover the arrears amount.	Legal action should be taken to recover.
(iii) The total amount of Rs. 565,133 due for 03 assets leased in previous years had not been recovered as at 31 st December of the year under review.	Accepted.	Action should be taken to recover the outstanding amount.
(b) License Fees		
(i) Trade license fees of Rs. 307,500 due from 390 individuals had not been collected for the period from 2021 to the year under review.	Accepted.	Action should be taken to recover the outstanding amount.
(ii) A survey was conducted in September 2024 for trade licenses, business taxes and industrial taxes, but the total revenue to be collected for the year 2024 had not been accurately identified.	Accepted.	Surveys should be carried out within the stipulated time, reports should be prepared and income should be identified accurately.
(c) Other Revenue		
(i) Court fines of Rs. 11,757,583 and stamp duty of Rs. 2,862,100 that were receivable from the Chief Secretary of the Provincial Sabha and other authorities as at 31 st of December 2024 had not been collected.	That action will be taken to recover the outstanding amount.	Action should be taken to recover the outstanding amount.
(ii) The arrears of water charges of Rs. 1,463,912 and the water connection charges of Rs. 149,631 due from 568 water consumers had not been collected as of December 31 st of the year under review.	Necessary steps are being taken to recover the outstanding amount.	Action should be taken to recover the outstanding amount.

3. Operational Review

3.1 Performing of Functions Enacted by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to carry out 30 key matters, but by-laws had not been enacted for those matters as at 31 st of December 2024.	Accepted.	Action should be taken to enact by-laws.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
The water pipe stock as of 31 st December of the year under review was stated as Rs. 3,452,403, but a water pipe schedule had not been prepared to confirm the correctness of the stock value.	A water pipe schedule will be prepared and the value will be recorded in cash.	A register indicating the quantity and value as prescribed must be prepared and kept up to date.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(i) The Sabha had a total of 35 shops, including 20 old shops and 15 new shops, but 18 of them had been closed for a period of between 2 and 7 years and no arrangements had been made to generate income by renting out those shops.	The necessary steps have been taken in 2025 to rectify the deficiencies of 27 shops that were unfit for use and had minimal facilities, and to tender and lease them out.	After the repair is completed, arrangements should be made for leasing according to the formal tender procedure.
(ii) 03 shops were rented out without a agreement for the year 2024.	Accepted.	Lease agreements should be entered into according to a formal tender procedure.

3.4 Management of Vehicle fleet

Audit Observation	Comments of the Sabha	Recommendation
(i) The Sabha was using 12 vehicles that had not obtained revenue licenses but were in running condition.	Accepted.	Action should be taken to obtain revenue licenses.
(ii) 23 vehicles belonging to the Sabha were not registered in the name of the Sabha.	Since there is a legal case, it is hoped that the necessary steps will be taken to take over to the Sabha	Once the legal proceedings are completed, steps should be taken to take over the vehicles in the name of the Sabha.

(iii) The car, which had been out of use since 2011, had not been repaired and put into use or disposed.	The Sabha hopes to repair this car as needed after its income situation good, or if that is not possible, to auction it off, and the motorcycle has been taken into custody by the court for case proceedings.	Action should be repaired or disposed.
(iv) The car and tractor, worth Rs. 2,000,000, have been without running for about 2 years and have not been repaired.	Once the case proceedings are concluded, the necessary steps will be taken to repair or auction the car, and the tractor is expected to be repaired.	Action should be repaired or disposed.
(v) The tractor owned by the Sabha, worth Rs. 1,000,000, had been referred to repairs for about 02 years.	In the future, steps will be taken to take the necessary for repairs or auctioning.	Action should be repaired or disposed.