Galnewa Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Galnewa 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 Galnewa 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
(a)	The discount of Rs. 38,934 received by the Pradeshiya Sabha when purchasing library books in the year under review was not included in the income for the year and the stock balance of library books was understated by that value.	That action will be taken to correct this when preparing the final accounts for the year 2025.	Must be accounted for correctly.
(b)	The value of the Otunupelandigama Cemetery land, which was Rs. 12,000,000, which was included in the fixed assets register, had not been disclosed under property, plant and equipment in the statement of assets and liabilities as at 31 December of the year under review.	-Do-	All fixed assets owned by the institution should be accounted for and shown in the financial statements.
(c)	The value of 11 plots of land on which 11 buildings belonging to the Pradeshiya Sabha were built assessed and had not been accounted for under property, plant and equipment.	That action will be taken to correct this when preparing the final accounts for the year 2025.	All fixed assets owned by the institution should be accounted for and shown in the financial statements.

1.6.2 Accounting Deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	As at 31st December of the year under review, there was a difference of Rs. 22,899 between the value of the creditors as per the Schedule of various Creditors and the value of the creditors as stated under Short-term Payables in the Statement of Assets and Liabilities.	Action will be taken to correct this when preparing the final accounts for the year 2025.	Corresponding reports should be compared with schedules and corrected.
(b)	As of December 31st of the year under review, there was a difference of Rs. 10,321 between the various deposits schedule and the miscellaneous deposits balance in the short-term payables in the statement of assets and liabilities.	-Do-	-Do-
(c)	Although the total value of the purchases made during the year 2024 was stated in the financial statements as Rs. 10,677,478, the relevant information and values had not been included in the fixed assets register.	Agreed.	Fixed asset records must be updated.

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 2024 amounted to Rs. 15,844,074 as compared with the excess of revenue over expenditure amounted to Rs. 18,139,024 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the Sabha	Recommendation
The Pradeshiya Sabha had retained Rs. 89,020,466 in fixed deposits and current accounts as at31st of December 2024, without paying attention to fulfilling the basic needs of the people in the Pradeshiya Sabha area of authority, carrying out development activities and providing public services..	Due to the delay in receiving funds for LDSP projects, funds are being retain in current accounts to pay for them from the Sabha funds, and there is a shop rent security deposit of Rs. 8,715,400 in fixed deposits that must be repaid upon request.	Attention should be paid to carrying out development activities and providing public services.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

	Source of Revenue	2024 Estimated Revenue	2024 Revenue billed	2024 Revenue collected	2024 Total Arrears as at 31 December	2023 Estimated Revenue	2023 R evenue billed	2023 Revenue collected	2023 Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	2,101,250	1,618,350	1,639,100	54,900	3,160,900	3,076,925	3,224,325	1,218,700
(ii)	Rent	11,773,600	8,163,408	7,958,645	6,204,104	11,847,400	8,633,754	8,038,900	5,712,071
(iii)	License fees	3,072,750	910,850	910,850	9,700	1,472,600	1,392,525	1,395,625	173,825
(iv)	Other Revenue	45,835,506	35,562,564	35,562,564	19,487,655	43,220,596	32,690,691	24,834,927	21,339,331
		62,783,106	46,255,172	46,071,159	25,756,359	59,701,496	45,793,895	37,493,777	28,443,927

2.3.2 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)	**Tax**		
	Out of the outstanding garbage charges balance of Rs. 1,039,380 as at December 31 of the year under review, Rs. 397,480 has been outstanding for more than two years, which was 38 percent of the total arrears.	Action will be taken to promptly collect outstanding garbage fees.	Action should be taken to recover the arrears of revenue.
(b)	**Rent**		
(i)	An amount of Rs. 1,788,525, which was due for 16 tendered leased locations during the period 2001 - 2024, had not been recovered by the end of the year under review.	Legal action has been initiated to collect the outstanding revenue.	Action should be taken to recover outstanding rent.

(ii)	Out of the arrears shop rent balance of Rs. 4,024,440 as at 31st December of the year under review, 24 balances with a total value of Rs. 2,936,250 had been coming from more than 02 years.	-Do-	Action should be taken to recover the arrears of revenue.

(c) Other Revenue

(i)	The outstanding water charges of Rs. 2,257,545 due for 05 water projects maintained by the Sabha had not been collected as of December 31st of the year under review.	Accepted.	Arrears of charges must be recovered.
(ii)	Court fines of Rs. 15,844,074 and stamp duty of Rs. 18,139,024, which were due to be received from the Chief Secretary of the Provincial Council and other authorities, had not been collected as at 31st of December 2024.	Necessary steps will be taken to collect arrears of court fines and stamp duty.	Action should be taken to recover the arrears of revenue.

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 3of 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 main matters, but by-laws had not been enacted for those matters as at 31st of December 2024.	That the relevant bylaws will be enacted as soon as the General Assembly is elected.	Action should be taken to enact by-laws.

3.2 Identified Losses

Audit Observation	Comments of the Sabha	Recommendation
According to the 2024 board of Survey Report, there was a deficiencies of 756 units of 98 types of goods (materials).	That future work will be done to identify deficiencies.	Action should be taken to recover losses due to deficiencies of goods.

3.3 Management Ineffiencies

Audit Observation	Comments of the Sabha	Recommendation
Action had not been taken to settle the retentions of Rs. 1,716,092 relating to 18 industries whose work had been completed since 2019.	That the facts regarding the by hand retention balances will be investigated and necessary steps will be taken to settle those balances.	Steps should be taken to examine the shortcomings in industries and release the retained amount.

3.4 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	As of December 31, 2024, there was a excesses of 04 officers in respect of 03 posts and a shortage of 04 officers in respect of 04 posts in the approved staff of the sabha.	Agreed.	Action should be taken to recruit within the approved staff composition.
(b)	The total value of the disaster loan balance of Rs. 160,850 due from 2 officers who left the service during 2022 and 2023 and Rs. 512,478 due from 3 transferred officers had not been recovered by the end of the year under review.	That action will be taken to recover from the spouce and the guarantors.	Action should be taken to recover arrears of staff loans.
(c)	23 officers of the Pradeshiya Sabha who were required to post staff security had not taken steps to post security by the end of the year under review.	Necessary steps will be taken to secure bail for officers who have not yet secured bail.	Officers who have not posted security must post security.

3.5 Management of Vehicle fleet

Audit Observation	Comments of the Sabha	Recommendation
In accordance with paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29th December 2016, a fuel test had not been carried out on 08 vehicles owned by the Pradeshiya Sabha.	That action will be taken to promptly inspect the fuel combustion.	Action should be taken in accordance with the Public Administration Circular.