

Galigamuwa Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Galigamuwa Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Galigamuwa Pradeshiya Sabha as at 31 December 2024, 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 expressed qualified opinion on the financial statement 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 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 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 include 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 of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Internal Control over the preparation of financial statements.

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	Rs. 8,943,936 as the value of 07 industries whose constructions were completed during the year under review was not capitalized the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was understated.	This value will be entered into the accounts and relevant adjustments will be made.	Capital expenditure must be accounted for correctly.
(b)	Current assets and operating surplus were understated at the same value due to the fact that the pharmaceutical stock of Rs. 203,478 had not been accounted for at the end of the year under review.	That the stock in the Ayurvedic dispensary was not re-accounted at the end of the year.	Closing stock balances must be accurately accounted.
(c)	Information regarding 07 cases that were pending at the end of the year under review had not been disclosed in the notes to the financial statements.	That steps will be taken to disclose this in the notes to the financial statements in the future.	Contingent liabilities should be disclosed in the notes.

1.7 Non- Compliances

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Asset Management Circular No. 05/2020 dated 02 October 2020	No steps had been taken to dispose of 03 vehicles and 02 machines that were unusable.	That the disposal was approved by the Disposal Committee on 10 th of March 2025.	Action should be taken as per the circular.

- (b) Paragraph 4(xiii) of Circular No. 02/2010 of the Local Government Reform Circular Guidelines
- Although the valuation of property such as property tax should be revised every 5 years, the re-assessment after 2007 had been delayed until 2019. Also, by the end of the year under review, measures had not been taken to levy the assessment based on the assessment carried out in 2019.
- The last assessment was carried out in 2019. The relevant paperwork is being carried out to implement the new assessment in 2026.
- The valuation of property, such as property tax, should be revised every 5 years and the assessment should be levied accordingly.

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 2024 amounted to Rs. 33,079,373 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 25,159,352 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, 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				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,763,886	2,717,518	2,656,006	774,963	2,404,625	2,687,872	2,324,249	363,623
Rent	3,893,160	3,065,301	2,776,216	304,660	6,816,990	3,163,894	2,787,649	376,245
License fees	1,355,000	1,636,920	1,636,920	-	1,337,000	1,550,679	1,534,479	16,200
Other Revenue	<u>4,791,000</u>	<u>6,666,082</u>	<u>6,666,082</u>	-	<u>7,889,000</u>	<u>11,116,858</u>	<u>11,116,858</u>	-
Total	<u>12,803,046</u>	<u>14,085,821</u>	<u>13,735,224</u>	<u>1,079,623</u>	<u>18,447,615</u>	<u>18,519,303</u>	<u>17,763,235</u>	<u>756,068</u>

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

	Audit Observation	Comments of the Council	Recommendation
(a)	The assessment tax balance due at the end of the year under review was Rs. 444,409, and within that balance, there was a balance of Rs. 87,326 that had been outstanding for more than 03 years.	That steps are being taken to recover the arrears balance.	Action should be taken to recover the arrears of revenue.
(b)	The arrears balance of shop rent at the end of the year under review was Rs. 528,146, and within that balance, the arrears of rent for more than 05 years was Rs. 525,146.	Legal steps have been taken to recover the arrears amount of more than 5 years.	Steps should be taken to recover arrears of rent.

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 Council	Recommendation
28 activities included in the annual action plan with an estimated value of Rs. 7,450,000 had not been completed during the year under review.	Since the majority of the projects included in the action plan have been implemented through the components of the Mountain Decade and Rural Roads Ministries, the planned amount of money has not been spent.	Action should be taken to achieve the objectives of the annual action plan.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Reward money of Rs. 250,000 received in the year under review for the achievements in the performance competitions held in the year 2022 and 06 mixed deposits of Rs. 42,485 received in the years 2023 and 2024 were still remain in the deposit account as of April 2025.	That the reward money received will be used for productive activities and that steps will be taken to settle mixed deposits.	Action should be taken to settle the referred deposit balances.

(b)	The value of 17 lands whose values were not included in the fixed assets register had not been valued and accounted.	An appointed committee will take steps to obtain the valuation.	The value of land should be valued and accounted.
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3.3 Idle Assets

	Audit Observation	Comments of the Council	Recommendation
(a)	The compactor trailer, worth Rs. 2,000,000, received as a donation in 2016, had been idle since the day it was received.	A request has been submitted to the Local Government Commissioner to convert the compactor trailer into a normal trailer and use it.	Assets should be utilized effectively.
(b)	2.0673 hectare land that was handed over to the council in April 2019 remained unused at the end of the year under review.	It is hoped that crops will be cultivated to generate income.	Assets should be utilized effectively.

3.4 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The ownership of the land plots measuring 01 acre 01 rood 9.73 perches and 03 other land plots owned by the council measuring 04 rood 21 perches, located at the crematorium, sabha office, weekly market and Hela Bojunhala, had not been takeover .	That step are being taken to acquire ownership of the lands that have been used.	Action should be takeover the relevant property.
(b)	04 plots of land worth Rs. 2,300,000 and 08 perches of 1 acre, which had been received for public works through land auctions and division deeds, and a plot of land of 2.0673 hectares, which had been transferred by the Housing Development Authority, had not been fenced and secured. Furthermore, 02 plots of land worth Rs. 7,856,775 and 23.85 perches of 1 acre, which were mention to have been transferred for roads, had not been correctly identified.	The field inspection has been completed.	Council property should be identified and protected.

3.5 Contract Administration

Audit Observation

Between 04 and 06 contracts with a total value of Rs. 4,375,000 were awarded to 03 community organizations, contrary to Sub-section 2.4 of Public Finance Circular No. 01/2021 dated 29th of September 2021.

Comments of the Council

Due to the need to complete projects, more than 03 projects had to be awarded to Rural Development Societies, and care will be taken to ensure that this does not happen in the future.

Recommendation

Action should be taken as per the circular.