

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Galgamuwa Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Cash Flow Statement 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 Galgamuwa 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 regarding financial statement 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 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 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 Audit Observations on the preparation of Financial Statements

1.6.1 Non-Compliance with Generally Accepted Accounting Principles

Audit Observation	Comments of the Council	Recommendation
Although, according to generally accepted accounting practices, the commitments with external parties that affect the existence of the institution should be disclosed in the financial statements, there were 07 pending court cases against the Council as of December 31st of the year under review, which had not been disclosed in the financial statements.	Acceptance.	Contingent liabilities existing at the balance sheet date should be disclosed in the financial statements.

1.6.2 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The value of 03 vehicles owned by the Council as of December 31st of the year under review had not been assessed and included in the financial statements.	This will be assessed and accounted for in 2025.	Fixed assets must be accounted for correctly.
(b)	The expenditure of Rs. 2,245,804 incurred for the improvements to the Solid Waste Management Center and for obtaining three-phase electricity supply had not been capitalized.	This amount will be included in the fixed assets register and the accounts for the year 2025 will be prepared and capitalized.	Capital expenditures must be accurately included in the financial statements.

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| (c) | Rs. 133,800 had been accounted for as creditors without any bills or obligations. | The amount of Rs. 133800.00 is an estimated amount for a reading program for school children for National Reading Month 2024 as a creditor. | A transaction must be recorded after it has occurred. |
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1.6.3 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Council	Recommendation
(a)	As at 31st December of the year under review, there was a difference of Rs. 138,621 in 18 items between the balance as per the books of the Council's store items and the balance as per the schedules of the financial statements.	The changes pointed out have been corrected.	Steps should be taken to maintain up-to-date inventory records and to include accurate balances in financial statements.
(b)	There was a difference of Rs. 885,758 between the value of 08 items of office equipment as per the schedules and the balance as per the relevant calculations.	Work will be done to correct this within the first quarter of 2025.	Fixed asset balances should be accurately scheduled and financial statements should be prepared accordingly.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc. The following non- Compliances were observed.

	Reference to Laws, Rules Regulations etc.	Comments of the Council	Recommendation
(a)	Pradeshiya Sabha Act No. 15 of 1987 Section 134	In order to obtain the maximum amount of assessment tax for local government institutions, steps had not been taken to identify and declare the most developed rural areas, and no steps had been taken to conduct a temporary valuation of assessment tax based on the compliance certificates issued by the council.	Assessment work should be completed promptly and action should be taken to collect assessed taxes.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulations 571	Action had not been taken in accordance with the financial regulations regarding 195 contract deposits, 28 tender deposits, 42 miscellaneous deposits and 05 industrial deposits with a total value of Rs. 3,121,862.	Work will be done to prepare a semi-annual list starting from 2025.	Must act in accordance with the F.R.
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(c) Local Government Circular No. 2019/02 dated 10th January 2019

Section 8	Although a zoning plan should have been prepared for the public markets owned by the council according to the type of business, the council's approval should have been obtained and stalls should have been allocated accordingly, this had not been done.	That work is underway to formulate a plan based on the current situation in the future.	Action should be taken according to the circular instructions.
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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. 17,959,535 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 42,723,222 in the preceding year.

2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
(a) Rates and Taxes		
Although the assessment tax assessment is required to be carried out by the valuation Department once every 5 years, the last assessment tax assessment was carried out by the Pradeshiya Sabha in 2015.	There had been continuous requests for assessment work, but it did not take place until 2024. However, as approval has been received, the relevant assessment work is being carried out.	Timely assessment and tax assessments should be carried out to increase the council's revenue.

(b) Rent

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| (i) | As of December 31st of the year under review, there was a rent arrears of Rs. 1,808,025, of which a balance of Rs. 396,454 was outstanding for more than 05 years. | That the arrears amount cannot be recovered until the issue regarding the ownership of the land on which the shops are located is resolved. | The ownership of the shops should be settled promptly and the arrears of balances should be recovered. |
| (ii) | Although the assessed rent should be revised every 3 years, this had not been done in the case of 91 shops owned by the council. | The audit reports of 30 stalls had not been submitted to the General Assembly. Of these, the reports relating to 28 stalls in Thurusewana had only been submitted to the Finance and Policy Committee held on 19 April 2021. | Action should be taken to assess shop rents on a timely basis. |

3. Operational Review

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.

3.1 Performing of Functions Enacted by the Act

Audit Observation	Comments of the Council	Recommendation
Under Section 126 of the Pradeshiya Sabha Act, by-laws were to be enacted to carry out 30 main matters, but by-laws had already been enacted on 51 matters as of December 31, 2024.	By-laws have been adopted for 51 matters under 30 main issues, and plans are underway to formulate or adopt by-laws for other essential matters in the future.	By-laws should be prepared only for essential matters.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) As at 31 st December of the year under review, there were 4 accounts receivable balances with a balance value of Rs. 29,500,402 and a prepayment value of Rs. 304,500, of which Rs. 24,908,150 relating to a period between 1 and 5 years and a balance of Rs. 4,596,751 older than 05 years remained uncollected.	Red notices have been issued to recover the amount due for assessment. The arrears in shop rent will be recovered after the land is cleared, and the amount has not been received so far in the case of industrial debtors.	Receivables must be collected promptly.

(b)	The total value of 05 accounts payable balances as at 31st December of the year under review was Rs. 60,706,466 and according to the time analysis, it was Rs. 51,657,350 for a period between 1 and 5 years and Rs. 9,049,115 for more than 5 years.	No comments.	The existence of accounts payable balances should be confirmed and settled immediately.
(c)	Although the council had been given the opportunity to burn waste from the Galgamuwa Base Hospital and other hospitals in emergencies on land owned by the council, there had been no supervision or any charges for it. Due to the lack of a safe method for storing the clinical waste collected in the incinerator premises until it was incinerated, there were problematic situations such as animals dragging the waste everywhere, there was no proper procedure for disposing of burnt ash and injection needles, and no steps were taken to obtain an environmental protection permit for the incinerator operations.	The hospital incinerates waste from the Galgamuwa Base Hospital and other hospitals in the area. There is no formal monitoring and there were insufficient facilities to store the clinical waste collected on the premises until it is incinerated, but a system has now been developed to safely store it.	Waste disposal should be streamlined.

3.3 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Two pieces of public land obtained from land auctions had not been used for productive purposes and no steps had been taken to acquire them.	Only the relevant development plan has been approved for the land allotment, but due to the lack of land development and minimum demand for land, it has been temporarily halted, and therefore it has not been possible to use it for productive purposes or take over.	Assets should be taken over and used for the relevant purposes.
(b) Although the Pradeshiya Sabha had been given powers regarding the supervision and control of community-based organizations according to the guidelines introduced by the North Western Provincial Water Supply and Environmental Sanitation Unit for community-based organizations, the council had not taken steps to implement them.	Efforts are currently being made to obtain all the annual budget reports approved by the councils of community-based organizations, and programs have been implemented to activate 19 inactive water societies.	Community-based organizations should be supervised by the council.

3.4 Transactions of Contentious Nature

	Audit Observation	Comments of the Council	Recommendation
(a)	Due to a problematic situation regarding the ownership of the Medagama Multi-Purpose Building, which had been generating income through leasing for over 05 years, the leasing had been suspended since 2023 and no steps had been taken to resolve the issue by the end of the year under review.	This issue will be referred to the local government and steps will be taken to remove the assets from the register based on the response received.	Ownership of the asset must be confirmed promptly.
(b)	The amount of Rs. 485,100, which the Divisional Secretary had refused to pay for the pre-school equipment purchased through the Gama Neguma Special Project, stating that it was substandard, had been paid from the council fund. Although the Provincial Accounts Committee had ordered the recovery of the amount from the responsible officers in this regard, no action had been taken to recover it.	The relevant technical officer has been informed in this regard, and steps have been taken to inform the Auditor General through a written letter dated 26th September 2018, with a copy to the institution where the relevant officer is employed.	The recovery of irregular payments should be carried out promptly.

3.5 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The old Galgamuwa Library land, which had been revalued at Rs. 50,115,000, was stated in the financial statements at its cost of Rs. 7,965,000.	It is an error in accounting for only the value of the building as per the valuation report. I will take steps to correct it when preparing the accounts for the year 2025.	Fixed asset values must be accurately accounted .
(b)	04 land and building items with a total value of Rs. 10,732,000 were accounted for as Rs. 1,267,500 in the financial statements.	That will be done to correct it in 2025.	Asset values must be accurately included in financial statements.
(c)	The ownership of 03 vehicles, 03 lands and 143 burial grounds owned by the Council had not been acquired by the end of the year under review, and the Council had spent Rs. 134,703 on those assets during the year under review.	Taking steps to take over the ownership.	Action must be taken to take over ownership of the assets.
(d)	As per the board of survey reports as on 31st December 2024, it was observed that out of the 377 GI pipes present at the Solid Waste Management Centre, only 192 pipes were physically present and	There is a problem with the issuance of 85 GI pipes as per the committee report on 26 June 2025. In this case, there has been a failure to issue them properly,	An investigation should be conducted in accordance with the F.R. to determine those responsible

there was a shortage of 185 pipes. Although this had been reported as per the recommendations of the Commodity Survey Board as on 31st December 2022, formal action had not been taken regarding the shortage of GI pipes as on 21st March 2025.	not recording the information in the books, not recording the information regarding their return or not returning them, and further action will be taken after finding the correct information in this regard.	and compensate for the damages.
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3.6 Delays in Project Activities or Capital work

Audit Observation	Comments of the Council	Recommendation
At the end of the year under review, a budgeted project worth Rs. 494,281 remained unfinished, while work on a project worth Rs. 154,598 had already been stopped at the time of audit.	This industry was brought forward until 2025 as the Galgamuwa Divisional Secretariat announced that it would provide a specific land for the supply of gravel.	The relevant industries should be completed promptly.

3.7 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
There were 19 vacancies and 16 surplus positions in the approved staff of the Council and recruitments had not been made for the vacancies.	That will be recruiting in the future.	An optimal staffing must be maintained.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
There was a variation of 20 percent to 98 percent between the estimated and actual revenues of 06 revenue items and 10 percent to 188 percent between the estimated allocations and actual expenditures of 07 expenditure items in the year under review. As a result, the budget document had not been utilized as an effective management control tool.	That when the 2024 budget was prepared, efforts were made to prepare the budget by forecasting about two years in advance.	The budget should be used as an effective management control tool.