

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Giribawa 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 Giribawa 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 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The value of 04 items of furniture and equipment worth Rs. 147,650 at the Niraviya Solid Waste Management Center had been recorded twice in the furniture and equipment account.	That the errors due to double counting of values will be eliminated from the furniture and equipment inventory next year.	Must be accounted for correctly.
(b) The value of 02 Interlocks machines received as donations to the council had not been accounted for.	That will take steps to register next year.	All assets must be accounted .
(c) The total value of 18 items included in the stationery and storage inventory, amounting to Rs. 187,252 had not been included in the closing inventory.	That the missed stationery and warehouse stock will be included in next year's accounts.	Accounts must be prepared correctly.
(d) The value of the internal road system of the Niraviya Solid Waste Management Center site, valued at Rs. 1,468,950 had been removed from the financial statements during the year under review without formal approval.	Since the entire value of that road has been removed from the accounts, the internal road section will be assessed and re-accounted.	Must be accounted for correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
As the capital receipts of Rs. 17,933,762 were also included in the calculation of Note No. 01 showing the Government's contribution to recurrent expenditure as at 31 st December 2024, there was a difference of Rs. 17,933,762 between the balance included in Note No. 01 and the balance shown in the financial statements.	The value of capital aid was incorrectly reduced when calculating the government contribution in the statement of financial operations.	Accurate adjustments should be made so that the balances match.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Council	Recommendation
Due to non-submission of balance confirmations, storage documents and recommendations implementation reports, 04 accounting items with a total value of Rs. 61,518 could not be satisfactorily examined.	Although the electricity deposit balance is mentioned in the account statement, the information cannot be found. Furniture and equipment have been misused and this has not been included in the report on the implementation of recommendations. It will be done to correction the debris stores next year. That work will be done to correct it next year.	Sufficient evidence must be presented to the auditor to verify the account balances.

1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. as follows.

Reference to Laws, Rules Regulations etc.	Comments of the Council	Recommendation
Pradeshiya Sabha Act No. 15 of 1987		
Section 13 (2)	Although a permanent committee was appointed to dispose of unusable vehicles and dispose of them according to its decisions, no such action had been taken regarding the iron water bowser.	An assessment board has been appointed to dispose of the old iron water bowser and further action will be taken after receiving its report.
		Action must be taken in accordance with the decision of the Standing Committee.

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 31st December 2024 amounted to Rs. 2,232,309 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 321,967 in the preceding year.

2.2 Revenue Administration

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

The information regarding estimated revenue, billed revenue, collected revenue and arrears of revenue submitted by the Secretary for the year under review and the previous year is shown below.

Source of income	2024 Year	Revenue billed	Revenue collected	Total Arrears as at 31 December	2023 Year	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Estimated Revenue				Estimated Revenue			
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
(i) Rates and Taxes	1,450	1,513	1,508	5	1,400	1,495	1,496	-
(ii) Rent	886	458	451	7	487	663	656	7
(iii) License fees	350	329	329	-	500	316	316	-
(iv) Other Revenue	-	-	-	-	-	-	-	-
Total	2,686	2300	2,288	12	2,387	2,474	2,468	7

2.2.2 Performance in Revenue Collection

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

Audit Observation

The billed income for the year under review was Rs. 2,300,479 and out of that billed income, Rs. 2,288,330 had been collected during the year under review. A further Rs. 12,149 remained in arrears.

Comments of the Council

That steps are being taken to recover the arrears of revenue.

Recommendation

Action should be taken to recover the arrears of revenue.

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 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The total value of 09 accounts payable items as of 31 st December of the year under review was Rs. 15,854,236 of which the repayable deposit balance for a period between 1 and 5 years was Rs. 139,150.	Expenditure Creditor, Industrial Creditor, Pension, Stamp Duty and Creditor Balances have been settled. Payable Deposit Balances under Repayable Deposits have been settled.	Action should be taken to identify the existence and settle the outstanding balance.
(b) The Vara Wewa weekly fair had not been effectively utilized after month of May 2022.	It is not being implemented due to the gradual decrease in the number of vendors and customers following the COVID-19 pandemic.	Efforts should be made to utilize resources as efficiently as possible.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
Due to the lack of a feasibility study, the compost fertilizer unit of the Niraviya Solid Waste Management Center, which was built at a cost of Rs. 15,065,168 has been idle since 2019 without any use.	Although it was hoped to stop the use of chemical fertilizers, the compost yard is not being used because there is no need to collect biodegradable waste due to the lack of a cost-covering price for organic fertilizers due to the government's program being halted midway.	Action should be taken to conduct the affairs of the Council in accordance with the action plan.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	Although a vehicle revaluation had been carried out in 2024 the asset records had not been updated according to the revalued values.	That steps will be taken to include the revalued value of vehicles in the annual accounts for the year 2025.	The value must be accounted for correctly.
(b)	Although the revalued value of the backhoe loader and the motor grader were Rs. 7,000,000 and Rs. 5,000,000 respectively, they were stated in the financial statements at cost as Rs. 15,000,000 and Rs. 23,140,000 respectively.	The revalued value of the backhoe loader will be revised to Rs. 5,000,000 and the revalued value of the motor grader to Rs. 7,000,000 next year.	The revalued value must be accurately accounted .
(c)	The transfer of ownership of 02 vehicles, 11 land units and 29 cemeteries owned by the council had not been completed by the end of the year under review.	The relevant documents to take over the cab have been forwarded to the Provincial Councils and the Ministry of Local Government. Requests have been made to the Divisional Secretary to take over the unallocated lands and cemeteries and that process is underway.	Steps should be taken to ensure ownership of the assets and transfer them to the council.

3.4 Delays in Project Activities or Capital work

	Audit Observation	Comments of the Council	Recommendation
(a)	31 activities worth Rs. 1,016,500 included in the action plan for the year under review had not been completed.	Most of the roads mentioned in the action plan for motor grading roads were repaired, but due to the machine being out of order, it could not be put into service for 4 months. It was stated that the programs could not be implemented due to insufficient funds.	The annual plan should be prepared by identifying the estimated amount and need from the budget.
(b)	Out of the 34 activities that were to be carried out by the Council as per the annual action plan, 03 activities amounting to Rs. 30,362,000 could not be carried out due to non-provision of funds.	It was not possible to implement those projects as the expected funds could not be secured.	Needs should be identified, an action plan should be prepared and implemented within the allocated budget.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
There were 08 vacancies and 14 excesses in the approved staff of the Council and recruitment had not been made for the vacancies.	Once permission is given for recruitment, arrangements can be made for it.	Recruitment should be done with approval based on service requirements.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
There was a variation of 13 percent to 57 percent between the estimated income and actual income of 5 revenue items and a variation of 20 percent to 63 percent between the estimated expenditure and actual expenditure of 6 expenditure items. Accordingly, the budget document had not been utilized as an effective management control tool.	The expected income from vehicle rental was lower, the interlock project could not be implemented, and the lack of government funding for major road projects in 2024 resulted in low rental income from motor graders and backhoe loaders. As actual income did not reach the expected level, expenditure was also limited. This resulted in a variance between expected and actual expenditure.	The budget document should be used as an effective management control tool.