

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Galigamuwa Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of Financial Performance, and cash flow statement for the year then ended, and the financial statements, including a summary of significant accounting policies, 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 Subsection 172 (1) of the Pradeshiya Sabhas Act No. 15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported 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 Galigamuwa Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standards for Local Governments.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Standard for Local Governments, 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 financial reporting process of the Pradeshiya Sabha.

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 to be prepared of the Pradeshiya Sabha.

1.4 Audit Scope Auditor's Responsibility for the Audit of the 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 exercise 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 the 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 Pradeshiya Sabha;
- Whether the Pradeshiya Sabha 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 Council	Recommendation
(a) Assets value of which totalling Rs. 532,414 had not been accounted.	That action would be taken to correct them in the future.	Accounts should be prepared correctly.
(b) As per Board of Survey reports, the value of library books as at 31 December 2023 had been understated in financial statements by Rs. 1,077,251 as at that date.	Mistake made in the data entry process.	-Do -
(c) Stamp duty amounting to Rs. 4,960,951 receivable as at 31 December 2023, had been understated.	That the schedules received after 31 December 2023 are not included in the accounts.	- Do -
(d) 15 lands valued at Rs. 6,256,900, mentioned in the fixed assets register and 08 lands of which the value was not mentioned, had not been accounted.	That the adjustments would be made in the future.	- Do -

1.7 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, regulations etc,	Non-compliance	Comments of the Council	Recommendation
(a) Financial regulation 571 of the Democratic Social Republic of Sri Lank.	17 unsettled deposits over 02 years totalling to Rs. 214,371, had not been included in the revenue.	Agreed and this will be included in the revenue as soon as possible.	Action should be taken as per the financial regulations.
(b) Chapter 3.1 of the Public Administration Circular No 30/2016 dated 29 December 2016.	The fuel consumption test of 07 vehicles had not been carried out after 2022.	That the said test was not carried out properly owing to the Covid epidemic and the dearth of fuel.	Action should be taken as per the Circular.
(c) Chapter 4(xiii) of the Guidelines for Local Government Reforms Circular No 02/2010.	Although property on which assessment tax is applied to should be valued every 05 years, valuation amendment had not been carried out for more than 15 years.	Agreed and although the last valuation had been done in 2019, and the valuation report was not received, the new valuation would be implemented as soon as the former is received.	Action should be taken as per the Circular.

2. Financial Review
2.1 Financial Results

According to financial statements presented, the revenue that had exceeded the recurrent expenditure of the Council for the year ended 31 December 2023, stood at Rs. 25,159,352 and correspondingly, the revenue that had exceeded the recurrent expenditure of the preceding year stood at Rs. 20,703,379.

2.2. Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Information on the estimated revenue, billed revenue, collected revenue and outstanding revenue is as follows.

Source of revenue	2023				2022			
	Estimated revenue Rs.	Billed revenue Rs.	Collected Revenue Rs.	Total Deficit as at 31 December Rs..	Estimated revenue Rs.	Billed Revenue Rs.	Collected Revenue Rs..	Total Deficit as at 31 December Rs.
Rates and Tax	2,404,625	2,687,872	2,324,249	363,623	2,333,025	3,784,449	3,275,828	508,621
Rent	6,816,990	3,163,894	2,787,649	376,245	5,094,230	6,663,132	6,659,532	3,600
License fees	1,337,000	1,550,679	1,534,479	16,200	1,350,000	1,404,544	1,404,544	-
Other Revenue	<u>41,617,500</u>	<u>45,233,494</u>	<u>12,441,708</u>	<u>32,791,786</u>	<u>28,207,000</u>	<u>39,690,635</u>	<u>14,628,361</u>	<u>25,062,274</u>
	<u>52,176,115</u>	<u>52,635,941</u>	<u>19,088,086</u>	<u>33,547,855</u>	<u>36,984,255</u>	<u>51,542,760</u>	<u>25,968,265</u>	<u>25,574,495</u>

2.2.2 Performance of Revenue Collection

Audit observation	Comments of the Management	Recommendation
Rates, acre tax, rent and stamp duty balance outstanding as at 31 December 2023 stood at Rs. 33,043,057 and therein existed a over 05 year old balance is Rs.2,463,510.	That this money would be recovered.	Revenue should be recovered without delay.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	recommendation
(a) Although 673 businesses had been identified as per the business survey, tax money had been received from 828	Agree and action would be taken to rectify the shown weaknesses from 2024.	Business survey should be done correctly.

firms as per the business tax register. Accordingly, since 155 business units had not been identified, the correctness of the business survey was problematic.

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| (b) | The debtor balances amounting to Rs. 18,593,275 and creditor balances amounting to Rs. 2,323,463 as at 31 December 2023 were more than 05 years old. | Inquiries have made from the relevant institutions regarding the balances over 05 years old. That according to the answers received therefor, those balances would be removed from the debtor register control account. | Balances should be settled. |
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3.2 Assets Management

Audit observation	Comments of the Management	Recommendation
Compactor trailer worth Rs. 2,000,000 and Bobcat machine worth Rs. 4,394,000 from 08 years and one year respectively have been lying unutilized. Further, two tractors with trailers and a generator have been lying unutilized for 02 years and 06 years respectively.	That the Compactor trailer had not been used and the remaining assets would be referred for repairing.	Assets should be kept utilized.

3.3 Human Resources Management

Audit Observations	Comments of the management	Recommendation
There were 18 vacancies and 14 excesses in the approved cadre. One employee as casual and three employees under service agreement and 04 employees as personal to the holder and 04 employees for covering the duties had been attached.	That the filling up of vacancies and posting of officers to work places is carried out by the Sabaragamuwa Provincial Council.	Action should be taken to fill up the employee vacancies and attach excess employees to other work places.