

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Galenbindunuwewa Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in Net Assets/ Equity, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 the provisions of the National Audit Act No. 19 of 2018 and the 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 Galenbindunuwewa Pradeshiya Sabha as at 31 December 2023, 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

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 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 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The bill-board revenue billing for the year under review was Rs.126,500 but in the comprehensive income statement it had been understated as Rs.63,350.	Accepted.	Revenue should be properly accounted.
(b) Machine rental income billing was Rs.200,975 but in the comprehensive income statement it had been overstated as Rs.220,795.	-Do -	-Do -
(c) Depreciation amounting to Rs.36,682 had not been accounted in the year under review in respect of 02 assets acquired in the year 2022.	-Do -	Depreciation should be accounted in accordance with the depreciation policy.
(d) An interest income receivable of Rs.44,897 for the year under review had not been accounted for in respect of a fixed deposit account.	-Do -	The correct value should be accounted.
(e) Depreciation relating to assets purchased after the transition date amounting to Rs.51,579 had not been accounted.	-Do -	Depreciation should be properly accounted.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) Although, the reimbursement of salaries and allowances was Rs.18,414,108 in the Comprehensive Income Statement of the year under review, but it was Rs.19,195,165 in the salary reimbursement sheets of the Local Government Department, therefore, there was a difference of Rs.781,057.	Accepted.	Schedules should be compared with corresponding records.
(b) There was a difference of Rs.214,348 between the value stated in the Comprehensive Income Statement and the value mentioned in the related schedules in relation to 04 income subjects as at 31 December 2023.	-Do -	-Do -

1.6.3 Lack of Written Evidences for Audit

Subject	Amount	Unsubscribed Audit evidences	Comments of the Sabha	Recommendation
	Rs.			
Plumbing Stock	3,452,403	Specifying the stock values without removing the value of 03 types of goods that were not in this stock	Accepted.	Confirmations should be submitted.
Pedestrian trade	232,400	Pavement Register	-Do -	-Do -
Weekly Fair charges	3,400,300	Weekly Fair charges Billing – 2023	-Do -	-Do -
Solar Plumbing Income	94,974	Annual Income Statement	-Do -	-Do -
Entertainment tax movies	147,500	Entertainment Tax Register	-Do -	-Do -
Sundry Deposits	20,000	Detailed Documents	-Do -	-Do -
Contract Deposits	17,789	-Do -	-Do -	-Do -
Market Parking Income	105,000	-Do -	-Do -	-Do -
Other Deposits	1,654,506	-Do -	-Do -	-Do -

Water supply Creditor	479,194	-Do -	-Do -	-Do -
Unpaid Pensions	689,653	-Do -	-Do -	-Do -
Stamps	558,128	-Do -	-Do -	-Do -
Received Capital Expenditure Grants	8,233,389	-Do -	-Do -	-Do -
Purchases of Property, Plants and Equipment	5,089,500	-Do -	-Do -	-Do -

1.7 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions are shown below.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Animals Ordinance No. 29 of 1958 -----			
(i) Section 2 (2)	The Sabha had been given permission to a cattle slaughterhouse running in a private place in Karakolawewa to supply beef only for the needs of the Sabha area, but with the full protection of two police officers, cows, calves under 12 years old and buffaloes were also slaughtered there.	Accepted.	The secretary of the Sabha should ensure that the activities of the slaughter house are done only for the needs of beef in the Sabha area.
(ii) Section 2 (2)	According to the report submitted by the Public Health Inspector who inspects the meat at the Karakolawewa slaughterhouse, it was mentioned that 30 cows were slaughtered, but 30 buffaloes had been slaughtered.	-Do -	Actions should be taken in accordance to the Animal Ordinance Act.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of expenditure over revenue of the Sabha for the year ended 31 December 2023 amounted to Rs.9,439,884 as compared with excess of expenditure over revenue amounted to Rs.25,424,762 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 of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and revenue arrears for the year under review and for the previous year are mentioned below.

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,656,827	2,644,393	2,574,711	5,533,458	2,656,827	2,702,644	2,922,213	5,463,776
(ii) Rent	10,142,350	6,057,105	6,346,250	1,440,660	10,142,350	6,471,310	5,473,490	1,729,805
(iii) License Fees	820,000	1,074,080	1,042,080	408,500	820,000	779,250	576,500	376,500
(iv) Other revenue	17,494,300	18,446,883	14,676,128	7,939,952	17,494,300	10,233,633	14,477,380	4,169,197
	31,113,477	28,222,461	24,639,169	15,322,570	31,113,477	20,186,837	23,449,583	11,739,278

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 Sabha	Recommendation
(a)	Rates and Taxes		
(i)	In the year under review, the rates and taxes billing was Rs.1,863,099, but it had not been recovered out of 50 percent which was Rs.929,720 and only Rs.823,934 had been	Accepted.	Actions should be taken to recover.

recovered in the year under review out of the arrears of Rs.5,107,976 as at 01 January 2023.

(ii)	As at 31 December 2023, outstanding business taxes amounting to Rs.412,200 had not been collected.	-Do -	-Do -
(b) Rent			
(i)	For 32 shops belonging to the Sabha, the shop rent of Rs.367,010, which was due from 18 people, had not been collected between 1 and 15 years.	-Do -	-Do -
(ii)	A sum of Rs.421,850 due from 07 persons for renting the machines owned by the Sabha had not been collected since 02 years.	-Do -	-Do -
(iii)	A sum of Rs.651,800 due for leasing 05 assets owned by the Sabha had not been recovered for 02 years.	Accepted.	Actions should be taken to recover.
(c) License Fees			
	License fees of Rs.408,500 due from 47 persons for the period from 2021 to 2023 had not been collected.	-Do -	-Do -
(d) Other Revenue			
	The outstanding water charges of Rs.109,232 and the water connection fee of Rs.140,172 due from 417 water consumers had not been collected by 31 December 2023.	-Do -	-Do -

3. Operational Review

3.1 Performance of functions assigned by the Act

The matters observed regarding the accomplishment of the functions that should be discharged by the Pradeshiya Sabha under Section 3 of the Pradeshiya Sabhas Act, such as, the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area, are mentioned below.

Audit Observation

Under Section 126 of the Pradeshiya Sabha Act, by-laws could have been enacted to fulfill 30 main matters, but by 31 December 2023, any by-laws had not been enacted for those matters.

Comments of the Sabha

Accepted.

Recommendation

Actions should be made to enact by-laws.

3.2 Management Inefficiencies**Audit Observation**

51 books worth Rs.14,341 belonging to the Galenbidunuewa library had been missed but the responsible parties had not been identified and any action had not been taken to recover the loss.

Comments of the Sabha

That 03 of those books have been received and the value of the remaining books will be recovered from the officials.

Recommendation

Actions should be taken to recover the loss.

3.3 Assets Management**Audit Observation**

10 old shop rooms in the Weekly Fair Premises area had been remained idle due to lack of necessary work to repair them to make them look attractive.

Comments of the Sabha

That proposals have been submitted for renovation of these shops from the fund of LDSP project.

Recommendation

Actions should be taken to repair and lease.

4. Accountability and Good Governance**4.1 Environmental Observations****Audit Observation**

An environmental permit for the slaughterhouse had been issued by the Central Environment Authority, but it was observed that the bloody water, heads and remains of slaughtered animals were being directly disposed to the open land, contrary to the conditions mentioned in the permit.

Comments of the Sabha

Accepted.

Recommendation

The Secretary of the Sabha should ensure that the activities are carried out in accordance with the permit conditions.