

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Galewela Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, 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 sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and sub-section 10 (1) of National Audit Act No. 19 of 2018. 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Galewela Pradeshiya Sabha as at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 this 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 Sub-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.

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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 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 Sabha	Recommendation
The total expenditure of Rs.1,237,905 on 02 development projects in the year under review had not been capitalized.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
A difference of Rs.31, 240,168 was observed when comparing the balances of 05 accounts shown in the balance sheet prepared as on 31 st December of the year under review with the balances stated in the relevant source documents and schedules.	Further action will be taken after the reports of the committee appointed to settle the balance are submitted.	Account balances should be corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
The total assets of Rs. 3,400,584 shown in the financial statements of the year under review could not be satisfactorily examined during the audit due to non-submission of documents, schedules and files relating to an asset subject.	Further action will be taken after the reports of the committee appointed to settle the balance are submitted.	Account balances should be reconciled with the schedules.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows.

Reference to Laws, Rules Regulations	Non-Compliance	Comments of the Sabha	Recommendation
(a) Parliament Acts			
Section 21 of the Urban Development Authority Act, No. 41 of 1978, read with Section 8 of that Act, as amended, Section 83 of Part VI of the Planning and Building Regulations published in the Extraordinary Gazette No. 2235/54 dated 08 July 2021	Certificates of conformity had not been issued in relation to 317 development permits approved during the period 2020 - 2024.	The development permit applicants have not completed the construction work.	Certificates of conformity should be issued for buildings whose construction has been completed.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
F.R. 571(3)	150 lapsed deposits of Rs.7,240,115 had not been settled during the period from 2019 to 2024.	Inspections are being carried out.	Lapsed deposits should be settled.

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 amounted to Rs.32,209,133 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 16,404,940 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 presented by the Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

		2024				2023			
	Source of Revenue	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	6,013,000	5,574,977	5,176,347	1,318,854	2,000,000	1,927,067	1,392,673	920,224
(II)	Rent	8,195,056	10,578,582	10,269,952	443,804	4,881,000	4,647,488	4,247,092	135,174
(III)	License Fees	2,711,000	3,131,457	3,130,457	1,000	4,450,000	5,141,032	5,141,032	-
(IV)	Other revenue	45,296,000	46,845,406	23,758,702	45,183,866	46,866,000	28,611,276	8,630,923	22,097,162
	Total	<u>62,215,056</u>	<u>66,130,422</u>	<u>42,335,458</u>	<u>46,947,524</u>	<u>58,197,000</u>	<u>40,326,863</u>	<u>19,411,720</u>	<u>23,152,560</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
Rates		
There was assessment arrears of Rs.937,761 as on the end of the year under review. Out of this, the arrears of Rs. 627,827 from 122 units exceeding Rs.2,000 per unit had not been collected in accordance with Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.	Actions are being taken to recover arrears of revenue.	The arrears of revenue should be recovered.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Although the land of Lakeview City, Dadubedhiruppa, Devahuwa with the area of 01 acre, 03 roods and 31.2 perches had been subdivided into 19 lots and 07 of them had been sold during the year under review, the one percent tax and the relevant approval for the subdivision had not been obtained.	Planning fees will be charged for the constructions that have been carried out and will collect one percent fee based on the	Taxes should be levied on sales, and legal action should be taken for failure to obtain approval.

valuation reports of the plots of land for which prices have been submitted.

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| (b) | In the sub-division of the land consisting of 5 acres and 37 perches in Tholabugaha Mullepitiyahena, without implementing the recommendations of the Environmental Authority, National Building Research Organization and the Pradeshiya Sabha The relevant land had been sold as sub-divided land in 2018 without approval. Relevant legal action had not been taken in this regard. | Legal action will be taken. | Legal action should be taken. |
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3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation

The new Solid Waste Management Center, constructed with a provision of Rs.9,707,455 in the year 2021, remained unused and underutilized.

Comments of the Sabha

The building will be put into use after the roof is constructed in 2025.

Recommendation

Buildings should be used for their intended purpose.

3.3 Assets Management

Audit Observation

The ownership of 58 cemeteries, 42 lands and buildings used by the Pradeshiya Sabha for public purposes had not been taken over to the Sabha.

Comments of the Sabha

The taken over process is being carried out.

Recommendation

Action should be taken to acquire property owned by the Sabha.

3.4 Human Resources Management

Audit Observation

When comparing the approved staff of the Sabha with the actual staff, there were vacancies in 16 primary grade posts, 10 secondary service posts and there was an excess of 12 development officers.

Comments of the Sabha

The Chief Secretariat and the Department of Local Government have been informed regarding employee vacancies and excess.

Recommendation

Action should be taken regarding vacancies and redundancies.

3.5 Vehicle fleet management

Audit Observation

The ownership of 02 vehicles that had been received by the Sabha in 2003 had not been taken over by the Sabha.

Comments of the Sabha

The taken over process is being carried out.

Recommendation

Action should be taken to acquire the assets belongs to the Shaba.