

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bulathsinhala Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Statement of Assets and Liabilities as at 31 December 2024, , Comprehensive Income Statement, Statement of changes in net assets/ equity, Cash Flow Statement 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 provisions in Sub-Section 10 (1) of the National Audit Act No 19 of 2018, 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 Bulathsinhala Pradeshiya Sabha as at 31 December 2024, 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 skepticism 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 Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.

- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-compliance with reference to relevant standard	Comment of the Sabha	Recommendation
Although Rs.154,314 should be deducted as investment income in calculating net cash flow from operating activities in accordance with paragraph 3.32 of Chapter 3 of the standard, Rs. 599,667 had been deducted and the receipts of Rs. 88,432,487 for non-recurring expenses had not been taken into account in calculating the surplus were not acceptable in the audit.	Only the amount of interest received in the year 2024 has been adjusted and the amount of capital assistance received for roads and buildings in the year 2024 has been stated.	The financial statements should be prepared in accordance with the Public Sector Accounting Standard for Local Authorities.

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The interest receivable on fixed deposits as at the end of the year under review amounted to Rs.26,465 had not been disclosed in the financial statements.	Only the interest received during the year was recognized as income for the year.	Accounts should be prepared accurately.
(b) The Employee's Deposit amounting to Rs.163,742 and the Employee's Deposit Investments amounting to Rs.163,742 had not been disclosed in the financial statements of the year under review and only a disclosure had been made.	Steps will be taken to correct this when preparing the financial statements in 2025.	-Do-

1.6.3 Unauthorized transactions

Audit Observation	Comment of the Sabha	Recommendation
A sum of Rs.116,297 being the balance of unidentified transactions accumulated in the Suspense Account relating to periods prior to 2008 had been written off without proper identification.	Approval had been obtained to write off the unidentifiable credit balance.	Approval should be obtained before writing off the suspense account balance.

1.7 Non-compliances with Laws, Rules, Regulation and Management Decisions

Instances of Non-compliance with Laws, Rules, Regulation and Management Decisions are shown below.

Reference to Laws, Rules, Regulation and Management Decisions	Non – Compliance	Comment of the Sabha	Recommendation
(a) Section 185(e) of the the Pradeshiya Sabha Act No. 15 of 1987	Approval for subdivision of lands should be granted by the Chairman, who is the authorized officer of the sabha. However, contrary to this provision, the Vice Chairman had approved the subdivision plan No. 278 submitted by Gurugé Property Company for sale in the year 1992 and no action had been taken by the sabha in this regard.	The subdivision plan had been approved by the Court.	Action should be taken as per the Pradeshiya Sabha Act.
(b) Paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016.	Fuel combustion tests of 09 vehicles had not been carried out in accordance with the provisions of the circular.	Combustion tests had not been updated for vehicles with very low running mileage.	Action should be taken as per the circular.
(c) Extraordinary Gazette No. 2264/18 dated 22 January 2022	Environmental protection licences had not been obtained for the Dehigahawela and Polegoda crematoriums, as required by the Gazette Notification.	Applications had been submitted to the Central Environmental Authority to obtain the environmental protection licences.	Action should be taken in accordance with the Gazette Notification.
(d) Section 8(i)(4)(2) of the Urban Development Authority Act No. 44 of	Although it is a punishable offence to use a building without	As per the application, the proposed use of	Action should be taken in accordance with

1984 as amended.

obtaining a certificate of compliance, Thebulanda Spring Drinking Water Bottling Establishment had been operated without obtaining a certificate of compliance contrary to the Act and no action had been taken by the sabha in this regard. the plan is the provisions of commercial use the relevant Act. and therefore approval for an industry has not been granted.

2. Financial Review

2.1 Financial results

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. 15,171,795 as contrast with the excess of expenditure over revenue amounted to Rs. 2,103,503 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, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

	Source of Revenue	2024	Revenue billed	Revenue Collected	Arrears as at 31 December	2023	Revenue billed	Revenue Collected	Arrears as at 31 December
		Estimated Revenue				Estimated Revenue			
		(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i)	Rates and Taxes	6,985,493	6,060,070	5,555,199	2,017,831	4,502,502	3,399,060	3,905,678	1,658,843
(ii)	Rent	6,304,000	3,341,515	4,756,697	153,714	5,431,000	2,702,889	5,021,657	129,404
(iii)	License Fees	5,785,500	864,539	1,018,839	-	1,005,500	572,843	888,338	37,500
(iv)	Other Revenue	51,851,500	-	50,888,610	-	11,056,500	-	9,560,738	-
		70,926,493	10,266,124	62,219,345	2,171,545	21,995,502	6,674,792	19,376,411	1,825,747

2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Total revenue arrears at the beginning of the year under review were Rs. 1,825,747 and out of that Rs. 757,136 or 41 percent had not been collected during the year.	Steps will be taken to collect the arrears.	Actions should be taken to recover the arrears expeditiously.
(b)	Rates		
(i)	Although the rates arrears at the beginning of the year under review was Rs.1,414,328 and out of that Rs.655,140 or 46 percent had not been collected.	Steps will be taken to collect in the year 2025.	-Do-
(ii)	Although the rates tax billing in the year under review was Rs. 4,489,075 and out of that Rs. 1,285,807 or 29 percent had not been recovered at the end of the year.	Action will be taken to recover in the year 2025.	Action should be taken to recover the arrears of revenue expeditiously
(iii)	According to the time analysis of rates, the rates arrears between years 01 and 03 of 1,403 rates holders was Rs. 1,040,730, the rates arrears between years 03 and 05 of 287 rates holders was Rs. 323,247, the rates arrears between years 05 and 10 of 247 rates holders was Rs. 396,794 and the rates arrears for more than 10 years of 168 rates holders was Rs. 180,175.	-Do-	-Do-
(c)	Rent		
	02 shops on the upper floor and a shop on the ground floor of the two-storey shop building of the sabha had not been utilized.	Bids will be called for these shops and steps will be taken to lease them out.	The idle shops should be utilized.

(d) **Court Fines and Stamp Duty**

Court fines due from the Chief Secretary of the Provincial Council and other authorities by 31 December 2024 amounted to Rs.10,700,000 and stamp duty was Rs. 27,500,000. Stamp duty revenue has been received in the year 2025. Steps should be taken to recover the outstanding revenue promptly.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The value of the water bowser received as a donation from the National Disaster Relief Service Centre in the year 2024 had not been assessed and recorded.	It will be accounted in the final account of the year 2025.	All fixed assets should be documented and shown in the financial statements.
(b)	Egaloya Multipurpose Centre building was provided to operate the Vocational Training Centre free of charge for a period of 30 years according to the agreement entered with the Sabha and the Sri Lanka Vocational Training Authority (VTA) on 16 November 2021. As per condition 08 of the agreement, 25 percent of the net profit of the Vocational Training Centre should be given to the sabha if course fees are charged for vocational training courses. However, Rs. 539,000 and Rs. 2,266,450 had been charged as course fees for the years 2023 and 2024 respectively, the 25 percent from the net profit had not been collected even at the end of the year under review.	steps will be taken to recover the fees to be collected from the Council for the years 2023 and 2024.	As per the agreement, 25 percent of the net profit should be collected.
(c)	Bulathsinhala Divisional Secretary had been handed over only the possession of the land of Egaloya Multipurpose Centre building to the Chairman of the Pradeshiya Sabha On	Since the ownership is owned by the Divisional Secretary, it is not possible to account as a land owned by the sabha.	The ownership should be taken over and the value of the property should be shown in the financial

- 25 November 2019 and had not been acquired ownership at the end of the year 2024. Accordingly, Sabha had not been able to identified the value of the relevant building and land as fixed assets in the fixed assets register.
- statements.
- (d) 09 land plots of 03 roods and 21.1 perches had been requested for the development of the sabha's playground when approving the subdivision of land No. 278 for sale by Guruge Real Estate Company in year 1992. Due to non-acquisition of these land plots by the sabha a case had been filed against the sabha in the year 2012 and a sum of Rs. 7,839,998 had to be paid to Guruge Real Estate Company in the year 2022. However, the sabha had not been conducted investigation accordance with Financial Regulation 104(1) to determine the responsible officers relation to this loss and no recovery had been made in accordance with Financial Regulation 156.
- Action will be taken to recover money from the officers responsible for the loss in accordance with Financial Regulation 104(1). The responsible officers should be determined and the loss should be recovered.
- (e) Although a three-member committee had been appointed to conduct a preliminary investigation and submit a report within a month in accordance with Section 13.1 of Chapter XLVIII of the Establishments Code regarding the officers who did not follow the formal procedure in approving the said land subdivision by the letter No. GLD/01/05/P22/2020 dated 26 June 2020 of the Local Government Commissioner, the investigation had not been conducted and the report had not been submitted by 31 December 2024.
- The investigation work will be carried out by the Department of Local Government. The investigation report should be submitted expeditiously.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
According to section 93 of the Pradeshiya Sabha Act No. 15 of 1987, it shall be the duty of the Pradeshiya Sabha to take all necessary measures for proper cleaning and emptying of all latrines and latrine pits within the proper period. However, there was no gully bowser service for 3 years to dispose of waste in the area.	It is planned to carry out this work by preparing a sewage collection tank in the year 2025.	Sewage truck services should be maintained to dispose of sewage.

3.3 Idle or underutilized property, plant and equipment

Audit Observation	Comment of the Sabha	Recommendation
03 tractors not in working condition had not been repaired and utilized.	It is proposed to refer them for auction or repair after considering the recommendations given by the Valuation Committee.	Action should be taken as per the recommendations of the Valuation Committee.

3.4 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) According to the paragraph 1.1.1 of the Western Local Government Secretary's Control Circular No. 01/2016 dated 19 February 2016, all the vehicle should be transfer in the name of the institution. However, it had not been taken to take over the ownership of 03 vehicles even at the end of the year under review.	The Ministry is preparing the necessary arrangements for the transfer to the sabha.	All vehicles should be transferred to the name of the institution.
(b) Although the Pradeshiya Sabha, which is the competent authority, should transfer the cemeteries within the jurisdiction of the sabha to in accordance with Section 127 of the Pradeshiya Sabha Act No. 15 of 1987 and Section 03 of the Public Cemeteries and Private Cemeteries Ordinance No. 57 of	Steps are being taken to transfer the cemeteries.	The cemeteries within the jurisdiction should be transferred to the Pradeshiya Sabha.

1946, 33 cemeteries had not been transferred to the sabha.

- (c) The Bulathsinhala Pradeshiya Sabha Stadium, which was developed at a total cost of Rs. 2,496,276 in the year 2023 had not been transferred to the sabha at the end of the year under review. That requests have been submitted to the District Land Reforms Board. The stadium should be taken over by the council.
- (d) The auditorium in the Egaloya Multipurpose Centre building can seat between 450 and 500 spectators at a time and that auditorium has been idle since 2019. The auditorium has not been able to be utilized since the necessary air conditioning and seating facilities have not been provided. Steps should be taken to provide the necessary facilities and put the auditorium into use.

3.5 Human Resource Management

Audit Observation

A debt balance of Rs. 220,840 due to the sabha from 04 officers during the period from 2001 to 2021 had not been recovered as of 31 December of the year under review.

Comment of the Sabha

That action is being taken to recover outstanding employee debt.

Recommendation

Action should be taken to recover outstanding employee debts.

4. Accounting and Good Governance

4.1 Annual Action Plan

Audit Observation

- (a) A revised estimate had not been prepared although the estimated amount of 20 items of the action plan had been revised and progress had been submitted.

Comment of the Sabha

- It does not happen in the future.
- (b) The progress of 14 activities with an estimated cost of Rs. 7,904,000 was 0 percent at the end of the year under review.
- The reasons for this were the deployment of Sabha employees to perform certain tasks, the inability to perform the task due to two election periods, etc.

Recommendation

- Revised estimates should be prepared and approved.
- The tasks should be performed according to the action plan.

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| (c) The progress of 13 activities with an estimated cost of Rs. 3,375,000 was less than 20 percent. | Since there was less expenditure, support from donors and no need for repairs, there was a surplus of provisions. | Realistic budget estimates should be prepared and action should be taken accordingly. |
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4.2 Internal Audit

Audit Observation	Comment of the Sabha	Recommendation
The internal audit plan of the Pradeshiya Sabha had been specified audit objectives under 24 activities, but adequate audit had not been conducted on procurements, tax collection, plan approval, development projects, citizen charter, environmental permits, etc.	That 04 internal audit reports have been issued in the year 2024.	Action should be taken to conduct adequate audit as per the internal audit plan.

4.3 Budgetary Control

Audit Observation	Comment of the Sabha	Recommendation
(a) No amount had been spent in the current year for 30 recurrent expenditure items of the estimated cost of Rs. 9,857,000.	reasons for the remaining provisions have been stated.	The budget should be used as a controlling instrument.
(b) Since only Rs. 5,887,776 had been spent out of the estimated amount of Rs. 18,066,225 for 54 recurrent expenditure items, an amount equivalent to 50 percent of the estimated amount had not been utilized.	-Do-	-Do-