

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Biyagama Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024, Statement of Comprehensive Income, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 10(1) of the 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 paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Biyagama 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

I expressed qualified opinion regarding the financial statements 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:

- Identified and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed 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.
- 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 its 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 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

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. Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local authorities

Non Compliance with the reference to particular Standard	Comments of the Sabha	Recommendation
Although the financial statements are to be prepared on an accrual basis in accordance with paragraph 2.5 of Section 2 of the Standard, court fines of Rs. 25,447,678 and stamp duty of Rs. 234,024,043 received during the year under review in respect of previous years were accounted for as revenue for the year under review.	Since this revenue is without our control and cannot be accurately calculated, it has been accounted for on a cash basis.	Should be accounted for correctly according to standards.

1.6.2. Accounting Deficiencies

Audit Observation	Comments of the sabha	Recommendation
(a) The unrepresented payment industrial creditors amounting to Rs. 469,678 had been credited to the Accumulated Funds Account instead of being credited to the Property, Plant and Equipment Account/Work in Progress Account.	That action will be taken to correct this when preparing the 2025 final account.	Should be accounted correctly.
(b) Industrial debtors had debited the Accumulated Fund Account instead of debiting the Government Grant Account for non-recurring expenses amounting to Rs. 469,678.	That action will be taken to correct this when preparing the 2025 final account.	Should be accounted correctly.
(c) Office equipment worth Rs. 228,310 had been accounted for as machines.	That action will be taken to correct this when preparing the 2025 final account.	Should be accounted correctly.

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| (d) | Rs.4,251,697 completed during the year under review under work in progress had been debited to the Accumulated Fund account instead of debiting the Buildings account. Furthermore, Rs.1,480,105 which was accounted for as buildings had been debited again from the Accumulated Fund and credited to the Work in Progress account. | That action will be taken to correct this when preparing the 2025 final account. | Should be accounted correctly. |
| (e) | Due to the fact that the Heiyanthuduwa North Community Hall was not accounted for as a building, the balance of the Depreciation Provision Account was understated by Rs. 415,965, the balance of the Depreciation Account was understated by Rs. 205,350, and the opening balance of the Accumulated Fund Account was overstated by Rs. 210,615. | That action will be taken to correct this when preparing the 2025 final account. | Should be accounted correctly. |
| (f) | The expenditure of Rs. 626,085 incurred in the year under review for previous years had been accounted for as an expenditure of the year under review instead of being adjusted to the Accumulated Fund. | That action will be taken to ensure that such shortcomings do not occur in the future. | Should be accounted correctly. |

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions as follows.

	Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a)	Orders No. 83(ii) on Accounting Matters Relating to the Finance and Administration of the Western Province Pradeshiya Sabhas, issued by the Extraordinary Gazette No. 2155/8 dated 24 December 2019	A separate advance account had not been maintained for staff loans as per the rules.	That action has been taken to impose advance restrictions.	An advance account should be maintained as per the rules.

- (b) Local Government Department No. LGD/09/2019(1) dated 27 August 2020 (Western) Circular Annexure No. 01 Registers of 7 types of property, plant and equipment were not kept up to date, and separate registers were not maintained in the sub-offices. It will continue to update it in the future. Action should be taken in accordance with the circular instructions.
- (c) Paragraph 4.3 of National Budget Circular No. 1/2024 dated 10 January 2024 12 vehicles had been acquired on a monthly rental basis without prior approval and Rs.22,260,191 had been paid. The services of 12 vehicles have been acquired in 2024 at registered prices on a rental basis. Action should be taken in accordance with the circular instructions.

2 Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 144,345,586 as compared with the excess of revenue over expenditure amounted to Rs. 201,645,061 in the preceding year.

2.1.1 Revenue Administration

2.1.2 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	2024				2023			
	Estimated Revenue	Billed revenue	Collected revenue	Total Arrears as at 31 December	Estimated Revenue	Billed revenue	Collected revenue	Total Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	80,462	81,477	84,873	68,333	78,937	81,142	85,082	68,915
(ii) Rent	7,747	10,506	10,110	12,049	8,188	7,024	6,382	11,653
(iii) License fees	5,837	6,255	6,255	-	6,145	6,314	51,718	-
(iv) Other Revenue	34,032	44,858	44,858	-	36,191	48,616	48,616	-
	128,078	143,096	146,096	80,382	129,461	143,096	191,798	80,568

2.2.2 Performance in Revenue Collection

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

	Audit Observation	Comments of the sabha	Recommendation
(a)	Rates and Taxes		
(i)	The arrears of rates and tax balance as of January 01, 2024 was Rs. 68,915,184, while the value collected as of April 08, 2025 was Rs. 27,985,831, so the amount collected from the arrears was a low percentage of 40 percent.	The collection of arrears of revenue is being implemented in the year 2025.	Arrears of rates and tax revenue should be collected promptly.
(ii)	The outstanding rates and tax balance as at the end of the year under review was Rs. 68,333,229, of which 22 percent or Rs. 14,841,775 had been outstanding for more than 10 years, Rs. 19,532,340 or 29 percent had been outstanding for between 5 and 10 years, and Rs. 10,924,900 or 16 percent had been outstanding for between 3 and 5 years.	The collection of arrears of revenue is being implemented in the year 2025.	Arrears of rates and tax revenue should be collected promptly.
(b)	Rent		
	At the end of the year under review, the value of arrears rental of trade premises was Rs. 11,085,550, and 95 percent of the total arrears or Rs. 10,551,782 was more than 10 years old.	Action is being taken against the shops for which cases have been filed based on the court decision, and it has not been possible to recover the money due to the absence of the owners of 05 sealed shops at their addresses.	Arrears of rental income should be collected promptly.

3. Operational Review

3.1. Performing of Functions Enacted by the Act

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.

Audit Observation	Comments of the sabha	Recommendation
(a) Out of 322 public complaints received during the year under review, 160 complaints had not been resolved.	That it takes time to resolve complaints.	Action should be taken to resolve public complaints and provide effective services.
(b) According to the four-year plan of the Pradeshiya Sabha from 2024 to 2027, it was planned to spend Rs. 1,200,000 to produce fertilizer using biodegradable waste and to select an institution through a tender procedure to dispose of electronic waste, but no action had been taken accordingly.	Since there is no compost yard, compost cannot be produced and e-waste collection is done by waste collectors.	Needs should be accurately identified and action should be taken to achieve them.
(c) Although the Delgoda landfill had been developed at a cost of Rs. 10,033,996 during the year under review, it had not been put into use.	Provincial Council provisions have been requested to complete the remaining portion.	Waste management should be streamlined by utilizing the waste yard.

3.2. Management Inefficiencies

Audit Observation	Comments of the sabha	Recommendation
(a) As at the last day of the year under review, 778 house rent deposits amounting to Rs. 795,947 deposited from the year 2000 to the year 2024 had not been settled.	The schedules submitted with the account are accurate.	Action should be taken to settle the deposit balance.
(b) Action had not been taken to settle the balance of Rs. 3,425,043 in the Value Added Tax account which had been outstanding for many years.	That will be resolve the matter in the future.	Action should be taken to settle the outstanding balance.

3.3. Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the sabha	Recommendation
(a) Although 4 years had passed since the construction of the Ayurveda building was started, with an expenditure of Rs. 38,750,057 from the Pradeshiya Sabha funds up to the year 2023, it had not	Plans were made for an adult day care center, but other welfare programs have been initiated.	It should be used according to plan and for intended purposes.

been put into use for the intended purpose as at 29 of January 2025.

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| (b) | Since only the ground floor of the Pattivila Community Hall building, which was built in 2001 at a cost of Rs. 3,000,000, had been constructed, water had seeped through the slab to the lower floor, causing the building and the furniture used in the maternity clinic to decayed. | Further action will be taken based on the quality inspection report and the Office of the Medical Officer of Health will be informed. | The assets of the council should be utilized with maximum efficiency. |
| (c) | Only the ground floor of the Meegahawatta Galhena Road Community Hall, worth Rs. 1,500,000, had been completed and no steps had been taken to restore order the damage caused by a tree falling on the slab roof. | That it will be repaired in the future. | The assets of the council should be utilized with maximum efficiency. |
| (d) | It was observed that the Upper Biyanwila Passionwatta Community Hall, valued at Rs. 100,000, has been destroyed by wild grass and is being used for various illegal activities as it is not being used. | That further action will be taken. | The assets of the council should be utilized with maximum efficiency. |
| (e) | Although the construction of a multi-purpose building commenced in 2002 and was completed by 2025, the building, with furniture and fixtures valued at Rs. 479,094,500, remained idle as at 18 June 2025. The ownership of the land on which this building is located had also not been acquired and accounted. | The land has been handed over to the Divisional Secretary and efforts are being made to use the building for effective purposes. | Action must be taken to take over ownership of and use the assets. |
| (f) | The Gully Bowser purchased in 2018 for a value of Rs. 1,025,000 had not been used after 2020. | That a reasonable fee has been set and maintenance work has been directed to provide the service. | Assets should be utilized with maximum efficiency. |
| (g) | Although the tractor, worth Rs. 200,000, which had been idle since 2017, had been sent for repair in the year under review, it had not been completed and put into use. | That the renovation will be carried out and used for waste management. | The assets of the Sabha should be utilized with maximum efficiency. |

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| (h) | According to the Assets Board of Survey report for the year 2024, it was observed that 9 bathing wells worth Rs. 2,105,000 had been closed and 26 bathing wells worth Rs. 4,139,400 were not in use. | It has not been possible to identify the locations of the wells, and have been informed to use the wells. | Action should be taken to ensure the security of the assets owned by the council and to use . |
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3.4. Human Resources Management

	Audit Observation	Comments of the sabha	Recommendation
(a)	16 Development Officers, 02 Pre-School Teacher posts recruited as per Circulars 25/2014 and 29/2019, and 16 Labour posts had become excess.	16 development officers, 02 pre-school teacher posts recruited as per circulars 25/2014 and 29/2019 and 16 labour posts are shown as excess.	Action should be taken to approve excess positions and utilize human resources effectively.
(b)	The recovery of Rs. 1,442,440 from 12 officers who left the service, retired and died between 2019 and 2024 remained outstanding.	That action is being taken to recover the money.	Action should be taken to recover outstanding staff loans from guarantors.

3.5. Assets Management

	Audit Observation	Comments of the sabha	Recommendation
(a)	5 permanent houses had been constructed on 33.5 perches of land measuring 01 rood valued at Rs. 8,500,000 owned by the council, out of which 03 houses had been provided on a rental basis under a housing scheme. The ownership of those lands had not been settled, and the notice issued by the Assistant Commissioner of Local Government (Gampaha) on 03 January 2023 to reclaim the possession of the remaining 02 houses had not been implemented by 22 of March 2025.	Since all members unanimously rejected the request to take take over in 2 House possession, further steps will be taken under the new council in the future.	Ownership and security of assets should be ensured.
(b)	The Assets Board of Survey had not identified 4 buildings worth Rs. 14,247,458 and the Council did not have the information to physically identify a building worth Rs. 500,000.	That action will be taken to rectify the buildings that have not been surveyed in the future.	Action should be taken to ensure ownership of assets.

(c)	The ownership of 2 buildings worth a total of Rs. 1,000,000 had not been settled.	That will be checked and decided.	Assets must be identified and ownership and security of assets should be ensured.
(d)	The Sabha had not taken steps to take over the tractor worth Rs. 500,000 received in 1995.	It has been impossible to carry out the takeovers as the documents related to the transfers could not be found.	Action must be taken to take ownership of the assets.
(e)	The upper floor of the community hall, which was built at a cost of Rs. 3,997,856, had not been put into use as the windows, doors and floor had not been prepared.	Estimates have been prepared and forwarded to the District Engineer of the Gampaha Local Government Commissioner's Office.	Assets should be utilized with maximum efficiency.

4. Accountability and Good Governance

4.1. Annual Action Plan

	Audit Observation	Comments of the sabha	Recommendation
(a)	According to the four-year plan, during the year under review, it was planned to implement 06 programs worth Rs. 17.05 million, reorganize 07 community boards, complete 30 percent of the online payment of assessments, and identify 30 percent of the unidentifiable assets, but no action had been taken accordingly.	The provisions have been save due to the inability to obtain specifications, minimal public participation, lack of community board reorganization, lack of establishment of new community boards, and lack of an approved plan.	Plans should be made in a way that is achievable, goals should be set accordingly, and actions should be taken to achieve them.
(b)	According to the Annual Action Plan, 15 projects with an allocation of Rs. 24.55 million had not been implemented.	Projects could not be implemented due to reasons such as lack of allocation of provisions, bad weather, change in school vacation periods, lack of need for implementation, and balance of provisions.	Plans should be made in a way that is achievable, goals should be set accordingly, and actions should be taken to achieve them.