

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Beliatta Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the Statement of Financial Operations, statement of changes in net assets ,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 of Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions with subsection 10(1) of the National Audit Act No 19 of 2018 read in conjunction with in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. 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 financial statements give a true and fair view of the financial position of the Beliatta Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

1.2. Basis for Qualified Opinion

I expressed qualified opinion 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 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 Section 16(1) of the National Audit Act No. 19 of 2018, 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 Requirements

National Audit Act, No. 19 of 2018 include 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
(a) Buildings constructed, furniture and fittings purchased, and machinery and equipment acquired during the year under review, with a total value of Rs.1.64 million, had not been accounted for under fixed assets.	It has been stated that corrections will be made in the year 2025.	The buildings constructed, furniture and fittings purchased, and machinery and equipment acquired should be recorded under fixed assets in the year 2025.
(b) An amount of Rs.1.8 million spent for the installation of the camera system and for providing electricity and telephone facilities had been shown under the category of land and buildings.	It was stated that corrective action would be taken in the year 2025.	The assets shown under land and buildings should be accounted for under the correct asset category.
(c) A sum of Rs.4.5 million rent receivable had not been accounted for.	It was stated that corrective action would be taken in the year 2025.	The receivable amount of Rs.4.5 million should be accounted for in the 2025 accounts.
(d) According to the library accession records, the cost of library books amounted to Rs.5,171,120. However, since it had been shown as Rs.5,081,998 in the financial statements, non-current assets had been understated by Rs.89,122.	It was stated that corrective action would be taken in the year 2025.	The difference between the amount shown in the financial statements and the amount recorded in the acquisition records should be identified and corrected in the accounts

(e)	An amount of Rs. 92,272 being over-reimbursed staff salary expenses, had not been accounted for as a payable balance.	It was stated that corrective action would be taken in the year 2025.	The understatement of liabilities should be corrected in the 2025 accounts.
(f)	Expenses amounting to Rs.93,798 relating to the year under review had not been accounted for as accrued expenses.	It was stated that corrective action would be taken in the year 2025.	Accrued expenses should be properly identified and accounted for.
(g)	To be bill and billed stamp duty income amounted to Rs.32.92 million and Rs.35 million respectively, resulting in an overstated of income and current assets by Rs.2.08 million for the year.	It was stated that the difference had arisen due to the accounting of estimated income.	The overstated stamp duty income should be correctly accounted for.
(h)	Billable and billed court fine income amounted to Rs.3,222,381 and Rs.3,023,972 respectively, resulting in an understated of income and current assets by Rs.198,409 for the year.	It was stated that only the supporting documents received during the year had been taken into account when recording the income.	The understated court fine income should be correctly accounted for.
(i)	Machinery and equipment valued at Rs.5.34 million had been accounted for under timber supplies and fittings of other constructions.	It was stated that corrective action would be taken in the year 2025.	The machinery and equipment shown under timber supplies and fittings should be properly classified and accounted.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of detailed schedules and balance confirmations relating to three account items totalling Rs.13,397,535 satisfactory verification could not be carried out.	It was stated that corrective action would be taken through the financial statements in the year 2025.	Detailed schedules, balance confirmation letters, and other supporting evidence verifying the account balances shown in the financial statements should be submitted.

1.7 Non- Compliances

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

All observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. be shown under this heading.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987,	Although the developed areas within the sabha jurisdiction could be identified periodically and the rates revised accordingly, rates had been levied during the year under review only on the developed areas identified in the year 1991, without taking such action.	Action is being taken to declare five Grama Niladhari divisions as developed areas.	In accordance with the provisions of the Act, rates should be levied after identifying the developed areas.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka.	Forty-seven miscellaneous deposit balances amounting to Rs.287,073, which had remained outstanding for more than two years, had not been settled.	It was stated that corrective action would be taken in the future.	The deposit balances should be cleared in accordance with the provisions of the Financial Regulations.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent revenue over expenditure of the Sabha for the year of under review amounted to Rs.27.16. million as corresponding with the excess of recurrent revenue over expenditure amounted to Rs. 22.89 million 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, Information 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

Source of Revenue	2024				2023			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Rate and taxes	5,439,400	4,955,031	5,093,685	2,580,160	5,200,700	5,086,094	5,008,395	2,718,814
Rent	7,952,950	10,615,060	11,567,215	2,440,336	13,115,800	9,770,509	8,397,745	3,392,491
License fees	1,995,550	2,546,988	2,832,138	17,600	1,911,200	2,104,745	1,805,115	302,750
Other income	16,673,205	14,732,883	15,181,493	356,292	10,648,200	16,525,935	21,185,022	804,902
Total	32,061,105	32,849,962	34,674,531	5,394,388	30,875,900	33,487,283	36,396,277	7,218,957

2.2.2 Performance in Revenue Collection

	Audit Observation	Comments of the Sabha	Recommendation
(a)	An assessments amounting to Rs.2.43 million receivable from 1,157 assessable units had not been recovered in accordance with Section 158(1) of the Pradeshiya Sabha Act.	It was stated that some properties could not be physically identified and that action would be taken in the future to recover the outstanding balances.	The arrears of revenue should be recovered promptly.
(b)	According to Section 158(1)(a) of the Pradeshiya Sabha Act, if the rates are not paid within the prescribed period, the Secretary should authorize an officer of the Sabha by issuing a warrant under his signature to recover the arrears of rates.	Action is being taken to issue red notices for the recovery of arrears.	Arrears of significant value should be recovered promptly.

However, rates amounting to Rs.1.03 million receivable from 108 property owners, each owing arrears exceeding Rs.5,000 had not been recovered.

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| (c) | According to paragraph 04 of Circular No. දපපා/පපාකො /2010/01 dated 27 December 2010 issued by the Commissioner of Local Government (Southern Province), when leasing out stalls, the key money should be recovered either in full at once or, upon the lessee's request, within a period not exceeding six months, however key money totalling Rs.4.78 million, due from 16 stalls in the new trade complex and 3 stalls in the office library building, had not been recovered. | A sum of Rs.1.47 million had been recovered as key money, and guidance had been required from the Commissioner of Local Government, Southern Province, regarding the issue. | Key money should be recovered in accordance with the provisions of the circular. |
| (d) | An agreement had been entered into with the Nenasala Sisura Scholarship Foundation on 31 December 2013 to lease out a floor area of 2,860 square feet on the second floor of the new office building at Beliatta for the operation of the foundation. However, lease rent amounting to Rs.5.08 million and a Key money of Rs.3.4 million, which should have been recovered in accordance with Circular No. දපපා/පපාකො /2010/01 dated 27 December 2010 issued by the Commissioner of Local Government (Southern Province), action had not been recovered those. | It was stated that legal action could not be taken under the existing agreements and that letters had been sent to the Department of Local Government seeking further instructions. | In accordance with the provisions of the circular, lease rent amounting to Rs.5.08 million and key money amounting to Rs.3.4 million should be recovered. |

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	During the year under review, 25 industries to which trade licenses had been issued had not obtained Environmental Protection Licenses and as a result of 30 industrial units failing to renew their Environmental Protection Licenses, which had expired in the years 2021, 2022, 2023, and 2024, environmental protection license fee income totaling Rs.272,250, which should have been received by the Sabha, had been lost. Moreover, the Sabha management had not paid due attention to the recovery of these fees.	It was stated that licenses had been issued for 34 out of 55 industries and that further action was being taken regarding the remaining 21.	A systematic procedure should be established to encourage the obtaining of Environmental Protection Licenses.
(b)	An amount of Rs.519,632 recoverable in connection with three court cases filed by the Beliatta Pradeshiya Sabha at the Tangalle District Court had remained outstanding for over five years without being recovered.	It was stated that the defendant in one case had passed away and that specific information regarding the other cases could not be obtained.	The revenue should be recovered promptly.

3.2 Asset Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The old crematorium building valued at Rs.706,002, belonging to the Pradeshiya Sabha, had remained underutilized since 2009 due to the lack of repairs.	It was stated that repairs would be carried out and the building would be put to use in the future.	Action should be taken to repair the building and make it usable.
(b)	At the end of the year under review, action had not been taken to transfer the legal ownership of 22 lands, totaling 7 acres, 0 roods, and 29.38 perches in extent and valued at Rs.24.29 million, which were being utilized by the Pradeshiya Sabha.	It was stated that action was being taken to transfer the ownership of the lands.	Action should be taken promptly to obtain the legal ownership of these assets.

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| (c) | Although unauthorized constructions had been carried out on a portion of land belonging to the Nihiluwa Ambagahakoratuwa Cemetery, measuring 01 rood and 3.5 perches, no further action had been taken regarding the matter. | It was reported that all relevant documents had been forwarded to the Department of Local Government for legal proceedings. | Immediate action should be taken concerning the unauthorized constructions. |
| (d) | Eight plots of land owned by the Sabha, with a total value of Rs.3.07 million and a total extent of 07 roods and 157.97 perches, had remained idle without being utilized for any productive purpose. | It was reported that action is being taken to utilize them for productive activities. | The lands owned by the Sabha should be used for productive purposes. |
| (e) | Two vehicles that had been out of operation since 2014 and 2016 had neither been repaired and put back into use nor disposed of. In addition, a sum of Rs.523,800 had been spent on repairs of a cab from 2013 to 2024; however, it still remained unused and parked within the crematorium premises. | It was reported that disposal activities are being carried out for the two vehicles, and that the other vehicle will be repaired according to the prescribed procedures in due course. | The vehicles should either be disposed of or repaired and put into use. |

3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
By the end of the year under review, action had not been taken to regularize 20 excess staff members attached to 4 positions in the Sabha.	It was reported that steps are being taken to absorb the excess officers into the staff cadre.	A review should be carried out regarding the staff requirements of the Sabha.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Sabha	Recommendation
Seven development projects with a total estimated value of Rs.3.15 million, included in the 2024 budget, had not been implemented during the year under review, while four projects not included in the budget, with a total value of Rs.3.94 million, had been implemented.	It was reported that justification reports had been submitted.	Action should be taken to plan and implement development projects according to the approved targets.

4.2 Environmental Observations

Audit Observation	Comments of the Sabha	Recommendation
At the solid waste management center, other recyclable solid waste that could not be used for the production of organic fertilizer had not been stored in a proper and secure manner until it was taken for recycling.	It was reported that arrangements are being made to establish storage facilities that enable separate storage of solid waste. .	Recyclable waste should be stored according to a proper and secure procedure