Bandaragama Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Bandaragama 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 Bandaragama 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
(a)	According to paragraph 3.32 of Chapter 3 of the standard, when adjusting the surplus under operating activities, the investment income for the year of Rs. 25,103,623 had not been deducted and the net increase in inventories amounted to Rs. 524,579 stated as Rs. 392,079.	The interest on fixed deposits receivable has not been taken into cash flow and an adjustment has been made to the change in inventory as at 31 December 2023.	The financial statement should be prepared in accordance with Sri Lanka Public Sector Accounting Standard for Local Authorities.
(b)	According to paragraph 3.30 of Chapter 3 of the Standard, the capital receipts amounting to Rs. 13,288,864 under financing activities should be shown as a cash inflow in the cash flow statement but were shown as a cash outflow.	Steps will be taken to correct this when preparing the financial statements for the year 2025.	-Do-
(c)	According to paragraph 6.13 of Chapter 6 of the Standard, depreciation of an asset should be started from the time it is available for use, but depreciation had not been made for fixed assets worth Rs. 16,518,660 that were put into use in the year under review.	That steps have been taken in accordance with the Local Government Commissioner's order No. LGD/09/2019 dated 27 August 2020.	The financial statements should be prepared in accordance with the Public Sector Accounting Standards for Local Authorities.

1.6.2 Accounting Deficiencies

	Audit Observation	Comment of the Sabha	Recommendation
(a)	An amount of Rs. 132,500 had been incorrectly deducted from the Electricity Stock Account as a correction to the Electricity Stock Balance at the beginning of the year under review.	This adjustment has been made through Journal Entry 06 to correct the error in the closing balance of Electrical Goods for the year 2023.	Accounts should be prepared correctly.

(b)	Although the capital expenditure grants for the year under review should have been Rs. 35,649,214, only the amount of Rs. 13,288,864 received in cash was shown in the comprehensive income statement, resulting capital expenditure grants had been understated by Rs. 22,360,350.	Correction will be made when preparing the final accounts for the year 2025.	-Do-
(c)	Although the comprehensive income at the end of the year under review should have been Rs.242,993,869 it had been shown as Rs.220,633,518 in the comprehensive income statement.	-Do-	-Do-
(d)	Although the capital allowances at the end of the year under review should have been Rs.106,993,516 it had been shown as Rs.71,344,302 in the statement of changes in equity.	The balance of the unrecognized capital account is included as capital expenditure grant.	-Do-

1.7 **Non-compliance 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)	National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000	Although it is not possible to release, deposit and emit waste or noise into the environment without an environmental protection permit and steps should be taken to identified and issue environmental permits for such institutions. However, it had not been issued environmental permits for 06 institutions in the jurisdiction that should obtain environmental permits.	Institutions that have not obtained permits have been informed in writing to obtain permits.	Steps should be taken to issue environmental permits to the institutions that should obtain environmental permits.
(b)	Pradeshiya Sabha Act No. 15 of 1987			
	(i) Section 134(1)	New developed areas in the sabha had not been identified in a timely manner, gazetted as	Letters had been sent to the Assistant Commissioner of Local Government for	Action should be taken in accordance with the Pradeshiya

		required and assessment tax had not been collected.	approval.	Sabha Act.
	(ii) Section 158(a)	Property had not been seized as a last resort to collect arrears of assessment tax.	action was taken to bring some assets from properties where assessment had not been paid.	-Do-
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	(i)F.R. 104	Action had not been taken as per the Financial Regulations regarding the shortage of 39 plastic chairs in the City Hall in the year 2023.	Actions are being carried out in accordance with the Financial Regulations.	Action should be taken in accordance with the Financial Regulations.
	(ii)F.R.1645	Although the officers in charge of vehicle log books were required to submit the original copy of the monthly summary of journeys in Form 268(a) along with the daily running charts to the Auditor General on or before the 15th day of the month following the reporting month, this had not been done in respect of 40 vehicles.	Action will be taken to submit it to the Auditor General in the future.	-Do-
(d)	paragraph 3.1 of the Public Administration Circular No.30/2016 of 29 December 2016	The fuel combustion test of 36 vehicles had not been carried out in accordance with the provisions of the circular.	change in the running hours values when the fuel combustion test of tractors is carried out frequently is a disadvantageous situation for the institution.	Action should be taken as per the circular
(e)	Western Province Chief Secretary Circular No. 01/2016 dated 29 February 2016	Although the vehicles belonging to the sabha should be transferred to the name of the institution, one cab had not been transferred to the sabha.	The Technical Officer (Mechanical) has been informed to take action to acquired.	-Do-

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 207,344,654 as compared with the excess of revenue over expenditure amounting to Rs. 78,802,975 in the preceding year.

2.2 Financial Control

The People's Bank village shop account remained inactive from January 2024, being used only for the payment of electricity and water bills.

2.3 Revenue Administration

2.3.1 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.

		2024				2023			
	Source of Revenue	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)
(i)	Rates and Taxes	13,032,675	13,913,659	13,084,309	1,693,872	6,874,691	7,612,091	6,960,442	1,947,516
(ii)	Rent	6,012,100	6,529,485	5,870,650	779,987	5,449,210	5,850,913	5,140,183	1,494,322
(iii)	License Fees	365,000	585,000	585,000	-	183,000	444,000	444,000	-
(iv)	Other Revenue	335,000	387,300	387,300	-	264,110	324,915	324,915	-
		19,744,775	21,415,444	19,927,259	2,473,859	12,771,011	14,231,919	12,869,540	3,441,838

2.3.2 Performance in Revenue Collection

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

	Audit Observation	Comment of the Sabha	Recommendation
(a)	**Rates and Taxes**		
(i)	The outstanding balance of rates was Rs.1,944,516 as at 01 January 2024 and, Rs. Rs. 864,522 or 44 percent had not been collected as at 31 December 2024.	Action is being taken to recover the arrears of revenue.	Action should be taken to collect the arrears of revenue expeditiously.
(ii)	Out of the arrears of rates income from previous years, a sum of Rs. 101,674 represented arrears outstanding for more than 10 years, while Rs. 129,543 represented arrears outstanding for a period between 5 and 10 years.	Action is being taken to recover the arrears of revenue.	Action should be taken to collect the arrears of revenue expeditiously.

(b)	**Rent**		
(i)	Due to the failure to recover the shop rent of shop No. 22 in the new super market complex as scheduled, the amount of rent receivable from that shop as at 31 December 2024 was Rs. 76,494. Action had not been taken in accordance with the agreements regarding the non-payment of shop rent as scheduled.	-Do	The agreement should be renewed and rent recovered immediately after the conclusion of the court case.
(ii)	The billing for shop rental income amounted to Rs. 5,089,385 and the billing for stall rental income amounted to Rs. 1,440,100 during the year under review. Out of those Rs. 4,975,050 and Rs. 895,600 had been collected during the year respectively. The outstanding shop rent as at 31 December 2024 was Rs. 114,335 and the lease rent income deficit was Rs. 544,500.	The outstanding balance as at 31 March 2025 of shop rent was Rs. 52,000, and the lease rent was Rs. 544,500. The lease rent arrears related only to shop No. 07, and legal action had been initiated in this regard.	Action should be taken to collect the arrears of revenue expeditiously**.**
(c)	**Court fines and stamp duties**		
	The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2024 were Rs.2,302,132. Although no billing was done for stamp fees during the year 2024, stamp fees of Rs. 224,676,144 for the years 2021, 2022, and 2023 had been forwarded to the Department of Provincial Revenue based on the schedules prepared during the year under review, and an amount of Rs. 717,970 received for the year under review had been accounted as stamp fee income for the year.	Out of the Panadura Court fine of Rs. 2,302,132 in the year 2021, Rs. 1,665,119 was received on 16.01.2025, and Rs. 637,013 was re-scheduled due to deficiencies in the schedules and sent to the Provincial Revenue Commissioner on 19.03.2025.	Action should be taken to collect the arrears of revenue expeditiously.

3. Operational Review

3.1 Management Inefficiency

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The difference of Rs. 76,887 observed between the Industrial Creditors Schedule and the Industrial Register had not been identified and corrected.	Action would be taken to correct it in the future.	Action should be taken to identify the reason for the difference and correct it.
(b)	The work related to the deposits of Rs. 1,351,881 received for road damage in the year under review had been accounted for as income for the year without checking whether it had been completed in the year under review.	The amount to be corrected in the year 2025.	should be accounted correctly
(c)	The total of Rs. 66,160,912 in the Industrial Creditors Balance for the period from the year 2012 to the year 2022 had not been settled even by the end of the year under review.	Action will be taken to rectify it in the future.	A balance verification should be carried out and the outstanding loan balance should be settled.
(d)	Out of the Rs. 6,614,079 advance payment balance as at 31 December of the year under review, detailed schedules had not been submitted in respect of Rs. 4,485,059 and action had not been taken to settle this advance balance from the year 2018 till the end of the year under review.	There is an unidentifiable balance prior to 2020 and despite attempts to identify it, no supporting documents could be found.	Action should be taken to settle the unsettled advance payment balance.
(e)	According to Case No. 2244 in the Panadura District Court, a settlement was reached on 5 November 2014, and the lawyer informed the sabha by letter dated 5	Action is being taken to acquire the ownership.	Action should be carried out in accordance with the court judgment.

	November 2024 to take action to acquire the agreed portion of land to the sabha. However, the sabha has not acquire the land, and an amount of Rs. 69,800 had been paid by the sabha as legal fees for this purpose.		
(f)	The sabha paid Rs. 25,000 as required on 05 appearance in the case No. 92776 heard in the Panadura Magistrate's Court in 2014 in return for a letter without an official seal that could be accepted as a lawyer, resulting in a financial loss of Rs. 25,000 to the sabha. The Council did not have any information related to this case.	The sabha did not have any information regarding this case. However, a final action note from the court was obtained on 9 December 2024 and a copy of the complaint was received on 16 December 2024.	The information related to the case should be investigated and action taken accordingly.

3.2 Operational Inefficiency

Audit Observation	Comment of the Sabha	Recommendation
The Game Kade had been established on 1 January 2023 with the purchasing fixed assets of Rs.940,140, was continuously incurring losses due to not being operated under a proper systematic procedure.	Procurement activities are currently being carried out again.	Steps should be taken to operate the sales outlet under a proper systematic procedure.

3.3 Idle or under-utilized Assets

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Two stone rolls since 2017, one stone roll since the 2020 and back loader since 2021 were idle and not repaired as at 31 December 2024.	The repairs are being carried out.	Repair work should be carried out and assets should be used efficiently.
(b)	Although 02 hand tractors and a motorcycle owned by the sabha had been identified for dispose and a dispose	The repairs of the 02 hand tractors and the motorbike have been carried out	Repairs and disposal should be carried out expeditiously.

	committee was appointed on 23 May 2023, dispose had not been done as at 31 December 2024.		
(c)	As at the end of 2024, 28 toners worth Rs. 198,970, purchased in the years prior to the 2024 and recorded in the inventory account remained unused in the warehouse even in 10 March 2025. Accordingly, these toners had been idle for more than 12 months.	The photocopier is in a non-functional condition and cannot be used.	Purchases should be made based on identified needs.

3.4 Assets Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The amount of roads allocated in the lands divided and auctioned from the year 2020 to the year 2024 had not been calculated and included in the road register and the road register had not been updated even by the end of the year under review.	Work is being done to update the road register.	All roads should be included and the road register should be updated urgently
(b)	Cushion chairs and auditorium chairs purchased for the Maithri City Hall in the year 2022 amounting to Rs. 6,927,260 were not recorded in the fixed assets register and the fixed assets register had not been updated until the end of the year under review.	Steps have been taken to record them correctly in the fixed assets register.	The fixed assets register should be kept up to date.
(c)	66 fixed assets in the Fitness Centre were recorded in the stock books without cost instead of being recorded in the fixed assets register.	Steps will be taken to correct them in the future	The fixed assets register should be kept up to date
(d)	According to the Section 10 of the Ordinance No. 57 of 1946 on Public Cemeteries and Private Cemeteries, fence boundaries were to be prepared for the protection of cemeteries, no fences had been	The Divisional Secretary has been directed to take over the ownership and it is expected that the fences will be prepared after the	The ownership should be taken over and the security of the lands should be ensured.

	prepared in any of the cemeteries owned by the sabha.	cemeteries are handed over.	
(e)	The ownership of 16 out of the 25 cemeteries under the administration of the Bandaragama Pradeshiya Sabha had not been transferred to the sabha.	requests have been made to the Divisional Secretary to transfer ownership of cemetery lands, and actions will be taken to effect the transfer after conducting the necessary survey work.	The ownership should be taken over and the security of the lands should be ensured.
(f)	Out of eight cemetery lands agreed to be transferred by the Divisional Secretariat, although the survey work of the 02 public cemeteries in Walgama and Pamunugama had been completed and the survey fees paid by the sabha, the transfer process had not been carried out due to the non-obtainability of the copies of the plans.	Requests have been sent to the Survey Department to obtain copies of the plans of the two cemeteries by letters dated 08 January 2024, 29 July 2024 and 26 November 2024.	Copies of the plans should be obtained and the transfer should be carried out.

3.5 Human Resource Management

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Vehicle driving duties had been assigned to nine officers holding the positions of field worker, health worker, and mechanic, who were not included in the sabh's driver cadre.	It is noted that recruitment for permanent appointments has been stopped at present and even if recruitment is made, only one driver can be recruited.	The approved staff should be revised and recruitment should be made for the vacant employees.
(b)	The total amount of Rs. 1,131,159 due from 15 deceased, retired and suspended employees for disaster loans, festival advances, special advances and flood loans had not been recovered.	Action will be taken to recover it in the future.	The outstanding loan balances should be recovered expeditiously.

4. Accounting and Good Governance

4.1 Annual Action Plan

	Audit Observation	Comment of the Sabha	Recommendation
(a)	Although the Annual Action Plan for the year under review included a number of activities/projects under 23 expected objectives, only one activity out of 13 activities expected to be carried out under the Construction and Procurement Project had been completed as at 31 December 2024.	It is accepted.	Action should be taken as per the Annual Action Plan.
(b)	Although performance indicators had been identified for each activity in the prepared action plan, the progress of the action plan had not been measured according to those indicators.	Performance indicators had been identified for each activity in the action plan and progress had been measured according to those indicators	The activities of the action plan should be measured accurately in accordance with the identified indicators.
(c)	All 05 activities expected to be carried out under the development of infrastructure facilities had not been completed. Although 05 activities were specified under the maintenance of on-line drains, 02 activities had not been completed and 03 activities were being carried out.	The document would be updated and maintenance activities would be carried out.	The activities in the action plan should be completed within the relevant period.

4.2 Internal Audit

Audit Observation	Comment of the Sabha	Recommendation
Although the internal audit plan of the Pradeshiya Sabha had specified the areas to be audited under 11 points, only 03 audit queries had been issued by December 2024. Accordingly, adequate audit had not been conducted regarding the audit areas expected by the internal audit plan.	It is expected to work according to the internal audit plan for the year 2025.	Actions should be carried out according to the internal audit plan.

4.3 Budgetary Control

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The estimated recurrent expenditure of the Sabha for the year 2024 is Rs. 258,960,987 and the actual expenditure at the end of the year was Rs. 183,579,288 or 71 percent and the variance was 29 percent.	That is accepted.	The budget should be used as a controlling factor.
(b)	The estimated expenditure for 87 recurrent expenditure items of the Council was Rs. 26,877,280 and none of that estimated amount had been spent in the current year.	-Do-	-Do-
(c)	The balance of 36 expenditure items with an estimated expenditure of Rs. 29,298,160 ranged from 51 percent to 99 percent.	That is accepted.	-Do-
(d)	The estimated budgeted allocation value of Rs.3,187,000 for 08 expenditure items of the sabha for capital expenditure from self-generated income had not been spent by the end of the year under review.	-Do-	-Do-
(e)	The estimated income related to 08 budgeted income heads of the sabha was Rs.121,340,000 and the income collected from it was Rs.1,771,000. The percentage of income that could not be collected from the budgeted income ranged from 76 percent to 99 percent.	-Do-	-Do-
(f)	The total budgeted income of 36 income heads was Rs.94,722,570 and the total income collected was Rs.128,593,792. The variation in revenue collection exceeding the budgeted revenue ranged from 103 percent to 133,000 percent.	Supplementary budget has been presented in the year 2024 for the revenue heads that exceeded the estimate.	-Do-

4.4 Environmental Issues

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The sabha had incurred an expenditure of Rs. 34,126,914 for waste management in the year 2024 and had obtained an income of Rs. 26,850,049 from the sale of waste. However, the required number of staff and machinery for waste management had been specified, no expenditure estimates for waste management activities for 2024 had been prepared, nor had the officials responsible for supervision and accountability been identified.	An action plan for the year 2025 had been prepared.	Waste management should be done according to a formal plan.
(b)	The sabha had not introduced a system for collecting electronic waste and electronic waste had been piled up near the Sathipola.	The sabha does not collect electronic waste and a national solution is expected to be found for this.	Action should be taken to prevent unauthorized disposal of waste.
(c)	Although a five-year action plan for waste management had been prepared for the period 2023 to 2027, no information had been provided regarding the progress of activities carried out for the years 2023 and 2024.	The action plan has been prepared for the year 2025.	The action plan should be prepared annually.

4.5 Sustainable Development Goals

Audit Observation	Comment of the Sabha	Recommendation
Although a long-term plan had been prepared to implement 10 sustainable development goals, the specific tasks required to achieve these goals had not been planned, and no mechanism had been established to monitor their progress.	The sustainable development goals are included in the action plan, and the programs to be implemented for each goal are incorporated into the action plan.	The Sustainable Development Plan should be prepared separately and its progress should be indicated