

Balangoda Pradeshiya Sabha - 2021

1. Financial Statements.

1.1. Qualified Opinion

The audit of the financial statements of the Balangoda Pradeshiya Sabha for the year ended 31st December 2021 comprising the statement of financial position as at 31st December 2021 and the statement of financial operations for the year then ended including a summary of significant accounting policies and other explanatory 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 provisions of the National Audit Act no. 19 of 2018. My comments and observations which I consider should be published in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Balangoda Pradeshiya Sabha as at 31st December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2. Basis for Qualified Opinion

My opinion is qualified based 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 the 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 Principles, and for such internal as management determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error. Those charged with governance, are responsible for overseeing the Pradeshiya Sabha's financial reporting process. As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets, and liabilities to enable annual periodic financial statements to be prepared.

1.4. Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- 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 discourses, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following:

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha.
- Whether the Pradeshiya Sabha has performed according to its powers, functions and duties; and,
- Whether the resources of The Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5. Report on the Other Legal Requirements

National Audit Act No. 19 of 2018 includes specific provisions for the following requirements.

- a) The financial statements of The Pradeshiya Sabha are in consistence with that of the previous year as required by 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 except the audit matters of 1.6.1 (c) and (e) described in the basis for qualified opinion section of my report 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) Journal vouchers for 43 journal entries total valued for Rs. 317,303,436 were not prepared.	Action will be taken to prepare journal vouchers in the future.	Journal vouchers for journal entries should be prepared.
(b) 03 lands extent of 03 roods and 20 perches valued for Rs. 245,000 were not capitalized, and as such, the balance of the land and buildings and the revenue contribution to capital outlay account were under stated by that amount at the end of the year under review.	Action will be taken to rectify in the future.	Properties owned by Sabha should be correctly identified and accounted for.
(c) The value of the Hume pipe amounting to Rs. 994,250 procured in the previous year and the year under review had been capitalized through the plant and equipment account and, as such, the balance of the plant and equipment account and the balance of the revenue contribution to capital outlay account in the year under review had been overstated by that amount.	Action will be taken to rectify in the next year.	Only expenditure incurred on acquisition and improvement of non-current assets should be capitalized.
(d) The balance stock of Hume pipe valued for Rs. 1,007,550 had not been recognized as at end of the year under review. As such, the stock balance was under stated and the capital expenditure for	Action will be taken to rectify in the future.	Action should be taken to correct in preparation of financial statements in the next year.

the year was overstated by that amount.

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| (e) | The non-capitalization of Rs.801,895 incurred for the improvement of assets of the Sabha during the two years of 2019 and 2020 had not been rectified even by the financial statement of the year under review. | That will be corrected by the 2022 final account. | Action should be taken to correct in preparation of financial statements in the next year. |
| (f) | Interest income on fixed deposits amounting to Rs. 105,000 received as on 31 December of the year under review had been accounted as interest income receivable and, as such, due income was over stated by Rs.105,000. | Mistake. Action will be taken to avoid such mistakes. | Action should be taken to correct in preparation of financial statements in the next year. |
| (g) | Although provision was made for the members in the annual budget of 2021, provision for creditors was made for the unutilized amount of Rs. 990,000. As such, the capital expenditure and the creditors of the year were overstated by that amount. | The approval for the Rs. 30,000 allocated projects for members were received on 31 December 2021 from the Provincial Council and, therefore, the projects could not be implemented. Therefore, provisions were made as creditors. Those projects will be implemented in this year. | Should be corrected in preparation financial statements of next year. |

1.6.2 Unreconciled Control Accounts and Records

Audit Observation	Comments of the Sabha	Recommendation
The total difference of Rs. 34,751,407 was observed between the balances in the financial statements and source documents of 02 asset subjects.	It will be rectified in the future.	The errors should be recognized and rectified.

1.7 Non – compliance with Laws, Rules , Regulations, and Management Decisions.

The instances of non – compliance with laws, rules, regulations, and management decisions are given below.

Reference to Laws, Rules, Regulations etc.	Non – compliance	Comments of the Sabha	Recommendations
Financial Regulation 371 (5) of Financial Regulation of Democratic Socialist Republic of Sri Lanka.	Due to unavailability of sufficient information for the recovery of 30 recurrent and capital advances issued from the year 1992 to 2013 amounting to Rs. 357,779, those were submitted to the Commissioner of Local Government to get the approval of the Governor for write off.	To get a common decision on unsettled advance amounted to Rs. 357,779 it was forwarded to the Commissioner of Local Government, Sabaragamuwa.	Action should be taken in terms of Financial Regulations.

2. Financial Review.

Financial Results.

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 10,653,255 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 10,102,591 in the preceding year.

3. Accountability and Good Governance.

Environmental Issues

Audit Observation

Although about 30 tons of solid waste generates monthly in the Sabha area, a proper solid waste management plan had not been prepared for solid waste management. A organic fertilizer production program could not be implemented due to a suitable land was not acquired to the collection of biodegradable waste. Also, a proper program was not implemented to dispose of non-biodegradable waste in a hygienic and environmentally friendly manner.

Comments of the Sabha

Proper plans were prepared and currently being implemented for the management of non-biodegradable waste in the Balangoda Pradeshiya Sabha area for the year 2022 and a land had been identified in Welipathayaya area for the management of biodegradable waste and the acquisition of that land is in the final stage.

Recommendation

A Proper waste Management program should be planned and executed.