

Balangoda Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 27 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 13 July 2020 and 13 August 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Balangoda Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	The value of 13 lands belonging to the Sabha included in the Register of Fixed Assets as at 31 December 2019 had not been assessed and brought to account.	The all lands belonging to the Sabha should be assessed and brought to account.	Action will be taken to rectify in future.
(b)	A sum of Rs.3,234,433 incurred for constructions and improvements of the Sabha during the year under review had not been capitalized.	Constructions and improvements of non-current assets should be capitalized.	Action will be taken to rectify by a journal entry.
(c)	The works/stores opening balance of Rs.16,830 in the year under review had not been brought to account.	The opening balances of the year should be correctly brought to account.	That will be rectify in the accounts of the year 2020.
(d)	The receivable advertisement hoarding charges of Rs.11,760 as at 31 December of the year under review had not been brought to account.	The revenue relating to the year should be identified correctly and brought to account.	Action will be taken to rectify it by a journal entry.

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| (e) | The accounting policy to account the fixed deposit interest revenue on accrual basis had not been recognized. | As the financial statements had been prepared on accrual basis, the interest on fixed deposits should be brought to account on accrual basis as well. | Comments furnished. | not |
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1.4 Non-compliances

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 and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Sub – sections of 24(1)(a) and (b)	Action had not been taken to prepare plans of the roads and narrow avenues belonging to the Sabha and to display the name boards of those roads from the year 1974.	Action should be taken in terms of the Pradeshiya Sabha Act.	Action will be taken relating to the roads belonging to the Sabha in terms of Pradeshiya Sabha Act in future.
(ii) Section 154(1)	Even though a land situated in the authoritative area of the Sabha had been divided in to blocks and sold 06 land blocks totalling 169 perches, action had not been taken in respect of non – payment of 1 per cent tax receivable to the Sabha.	Action should be taken in terms of Pradeshiya Sabha Act and to recover revenue.	Action will be taken to investigate relating to the land divided into blocks and sold.

<p>(b) The Sub-sections of 3.3.1 and 4.2 of the Guidelines relating to vesting of powers and execution of powers to the Local Government Institutions, in issuing environmental protection licences relating to the projects prescribed in part “c” of the Extra Ordinary Gazette No.1533/16 dated 25 January 2008 in accordance with the National Environmental Act No. 47 of 1980 as amended by the Acts No.56 of 1988 and No. 53 of 2000 and the regulations enacted there under.</p>	<p>Even though the validity period of the Environment Protection Licences issued in the year 2016 had elapsed, action had not been taken to renew the licences, and action had not been taken to conduct a survey in respect of the works commenced during the year under review even by March 2020.</p>	<p>The necessary action should be taken to issue licences according to the due procedure for all institutions which should be obtained environmental licences.</p>	<p>Action is being taken to renew the licences and the survey of the works as well is being carried out at present.</p>
<p>(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.</p>	<p>(i) Financial Regulation 371 (5)</p> <p>Fifty three sub-impressts totalling Rs.204,535 granted from the year 1992 to the year 2019 had not been settled even by March 2020.</p>	<p>Action should be taken in terms of Financial Regulations.</p>	<p>Action is being taken to write off the advances amounting to Rs.204,535.10 granted from the year 1992 to 2019.</p>
<p>(ii) Financial Regulation 571</p>	<p>Action had not been taken on 08 lapsed deposits valued at Rs.389,618.</p>	<p>Action should be taken in terms of Financial Regulations.</p>	<p>Action will be taken on these deposits in future.</p>
<p>(d) Assets Management Circular No.01/2018 dated 19 March 2018.</p>	<p>Action had not been taken to dispose a cab vehicle, 05 tractors 04 trailers and 22 tractor parts which remained in condemned condition according</p>	<p>Action should be taken to solve the issues relating to the ownership and to dispose.</p>	<p>The ownership of the cab vehicle is belonging to the Provincial Chief Secretary and the legal custody of</p>

to the Boards of Survey Reports.

the machinery and equipment is belonging to the Divisional Secretary, Balangoda and action will be taken as per the consent and instructions of the above officers in future.

- (e) Guideline 3.4.1 of the Government Procurement Guidelines 2006 of the Democratic Socialist Republic of Sri Lanka. Ten canopy tent materials valued at Rs.117,500 had been purchased on shopping procedure without being calling bids. Action should be taken according to the Procurement Guidelines. Action will be taken in future to make purchases after calling bids on proper procedure.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs.5,836,324 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,220,843.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,938,381	1,482,741	1,628,657	162,195	1,723,425	1,328,345	1,306,730	269,540
Lease Rent	4,332,200	4,592,730	4,356,488	294,820	3,389,750	2,691,398	2,679,638	74,343
Licence Fees	558,500	619,241	722,991	98,750	507,500	643,416	620,916	141,100
Other Revenue	15,013,000	17,437,709	35,692,910	24,138,181	13,268,000	13,431,830	7,839,563	22,834,342
	21,842,081	24,132,421	42,401,046	24,693,946	18,888,675	18,094,989	12,446,847	23,319,325

2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to recover acreage tax amounting to Rs.47,721 remained in arrear for a period ranging from 02 years to 15 years.

Action should be taken to recover arrears of revenue.

A verification on acreage tax is being carried out, and accordingly, action will be taken to recover relevant arrears in future.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services, and Public roads and the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) By – laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though the by-laws should be imposed to execute 30 main matters under section 126 of the Pradeshiya Sabha Act, action had not been taken to impose by-laws for 12 matters out of that even by March 2020.

Action should be taken to impose by-laws.

Action will be taken in future to impose other relevant by-laws.

(b) Solid Waste Management

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken even by the end of the year under review to plan and execute a proper programme for management of solid waste collecting within the authoritative area of the Sabha.

A proper Solid Waste Management programme should be planned and executed.

A land pertinent to collecting waste had been verified in several places within the authoritative area of the Sabha, and necessary action is being taking to identified a suitable land.

3.2 Management Inefficiencies

Audit Observation

Action had not been taken to settle fifteen balances of works creditors totalling Rs.963,083 relating to the period from the year 2012 to 2016.

Recommendation

Action should be taken to settle to the creditors balances.

Comments of the Accounting Officer

Action will be taken to settle these balances in future.

3.3 Human Resources Management

Staff Vacancies and Excesses

Audit Observation

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- (a) An officer in Public Management Service Grade I had been appointed from the year 2017 by the Commissioner of Local Government to act in the post of Secretary which remained vacant from the year 2010.
- (b) Action had not been taken to fill 13 vacancies in the posts of Revenue Inspector, Field Work Administrator, Ayurvedic Dispenser, Crematorium Operator, Librarian, Heavy Vehicle Operator, Health Labourer and Field work labourer and as such it was obstructed to execute the respective functions and duties efficiently and effectively.

Recommendation

Action should be taken to fill necessary vacancies of the posts.

Action should be taken to fill vacancies.

Comments of the Accounting Officer

This vacancy had been informed to the office of the Commissioner by the reports relating to staff as well as letters dated 30 January 2019 and 03 April 2019.

The Chief Secretary and the Commissioner of Local Government had been informed relating to those vacancies through the annual reports of the staff. After the elections are over action will be taken to recruit employees needed for the primary level recruitments which could be recruited by the Pradeshiya Sabha.

3.4 Operating Inefficiencies

Audit Observation

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- (a) Action had not been taken to obtain the deed relating to the land and to confirm the ownership of the land in extent of 70.37 perches allocated to the Sabha for common purposes from a land auction in the year 2006.

Recommendation

The ownership of the assets of the Sabha should be confirmed.

Comments of the Accounting Officer

Action will be taken to obtain the deed of this land in future.

(b) In terms of the Circular No.1988/22 of the Commissioner of Local Government dated 17 May 1988 action should be taken to revise the rates and taxes by a new assessment, but an assessment of properties had not been carried out after the year 2005.

The properties should be assessed once in 05 years to recover rates and taxes.

The requests had been made to the Department of Valuation to make a new assessment of rates and taxes by letters and accordingly they started the revisions in November 2019.

3.5 Assets Management

3.5.1 Assets not Recorded

Audit Observation

The Register of Fixed Assets and the detailed schedules relating to 03 items of assets totalling Rs.61,711,139 and the Register of Debtors and age analysis of debtors valued at Rs.45,576,005 had not been updated.

Recommendation

The Register of Assets and Debtors should be maintained in an updated manner.

Comments of the Accounting Officer

Action will be taken to update the registers in future.

3.5.2 Idle/ under utilized Assets

Audit Observation

Two tractors and one gully bowsar which remained in running condition valued at Rs.5,845,318 had remained idle for over a period of 04 years.

Recommendation

The assets should be utilized effectively.

Comments of the Accounting Officer

These vehicles had been retained until commencing of waste collection in future.