

Balangoda Pradeshiya Sabha - 2020.

1. Financial Statements.

1.1. Qualified Opinion

The audit of the financial statements of the Balangoda Pradeshiya Sabha for the year ended 31st December 2020 comprising the statement of financial position as at 31st December 2020 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 2020, 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 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) A sum of Rs.801,895 incurred for the Improvement of the assets of the Sabha during the year under review and the preceding year had not been capitalized.	It has been informed that action will be taken to rectify in preparing of accounts of the year 2021.	The expenditure incurred for the improvement of non-current assets should be capitalized.
(b) The assets valued at Rs.420,188 which recommended to dispose by the Boards of Survey of the year 2020 had been eliminated from the relevant assets accounts before the disposal and as such the non-current assets and the balance of the revenue contribution to capital outlay account had been understated by similar amount.	It has been informed that action will be taken not to eliminate from the relevant accounts before dispose the assets recommended to dispose and auction by the Boards of Survey when preparing the financial statements for the year 2021.	Action should be taken to eliminate from the accounts after disposal of relevant assets.
(c) The stock of hume pipes valued at Rs.497,200 purchased during the year had been capitalized as non-current assets as such the non-current assets and the balance of the revenue contribution to capital outlay account in the year under review had been overstated by similar amount.	It has been informed that action will be taken to rectify in preparing accounts of the year 2021.	The current assets and the non-current assets should be correctly identified and accounted for.

<p>(d) The receivable permanent advertisement hoarding charges relating to the year amounting to Rs.28,800 had not been brought to account and as such the recurrent revenue and the revenue debtors of the year had been understated by same amount.</p>	<p>It has been informed that action is being taken to recover these charges.</p>	<p>The revenue of the year should be correctly identified and accounted for.</p>
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<p>€ As opening balance of the stores of the preceding year amounting to Rs. 16,830 had not been brought to account, the surplus of that year had been overstated by same amount but it had not been corrected during the year under review.</p>	<p>It has been informed, that they ensure such shortcomings do not occur in the future.</p>	<p>The revenue of the year should be correctly identified and accounted for.</p>
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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 31st December 2020 amounted to Rs. 10,102,592 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 5,836,324 in the preceding year. The reason for the improvement of the financial results was mainly due to the decrease of the expenditure of capital assets repairs and maintenance amounting to Rs.1,960,723 in the year under review as compared with the preceding year.

2.2. Revenue Administration.

2.2.1. Performance in Collections of Revenue.

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
<p><u>Licence Fees.</u> Even though, the written notices have been issued to obtain licenses to 17 institutions which were identified as required to obtain environmental licenses 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 imposed under it , the environmental licenses had not been obtained even by December 2020. As</p>	<p>It has been informed, that the reminders have been issued to the industry owners and necessary steps are being taken to investigate the environmental impact causing by these businesses.</p>	<p>Action should be taken in terms of the National Environmental Act and the regulations imposed under it.</p>

such a revenue amounting to Rs. 68,000 had been deprived by the Sabha and as well no timely assessment had been carried out in respect of the environmental impact caused by those businesses .

3. Operating Review.

The matters observed 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, thoroughfares and the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

3.1. Operating Inefficiencies.

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
As the demarcation of 119 families had not been carried out in the Balangoda Pradeshiya Sabha area and the Balangoda Municipal Council area, no action whatsoever had been taken to identify whether those families are belong to the authoritative area of the Pradeshiya Sabha even by March 2021.	It has been informed that action will be taken about this matter in the future.	Required steps should be taken to carry out the demarcations.

4. Accountability and Good Governance.

4.1 Environmental Problems.

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
The amount of the solid waste generated annually within the authoritative area of the Sabha is about 48 tons. Nevertheless, the Sabha had failed to provide the services of bio-degradable waste collection due to non-identifying a suitable site for the disposal of the bio-degradable waste. Further, a waste management plan complying with the National Policies had not been prepared even by the end of the year under review.	It has been informed that, organic fertilizer will be produced as soon as a land is acquired and solid waste has been collected and sorted and sold in the authoritative area of the Sabha in every Thursday.	A Proper waste Management programme should be planned and executed.