

Biyagama Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Biyagama Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the statement of assets and liabilities as at 31 December 2021, comprehensive income statement, statement of changes in equity, cash flow statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 the Provisions of the National Audit Act No. 19 of 2018. 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 Biyagama Pradeshiya Sabha as at 31 December 2021, 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

I express qualified opinion 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 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 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards for Local Authorities

Non -compliance with Reference to the Relevant Standard	Comments of the Sabha	Recommendation
(a) The value of Rs. 3,590,492, pertaining to 03 projects paid by the Sabha, it had been accounted for as industrial debtors and creditors in the financial statement.	This will be corrected in the account 31 december 2022 .	Accounts should be identified and corrected.
(b) A sum of Rs. 64,735 received by the Sabha related to two projects had been accounted for as industrial debtors in the financial statement.		The erroneously credited & debited account should be identified and corrected.
(c) A sum Rs. 1,913,136 received from the Assistant Commissioner of Local Government, Gampaha pertaining to completion of remaining works of Makola Multi-Purpose Building Phase II Project had been accounted for as industrial debtors in the financial statement.		

(d)	<p>Although except for the 10 per cent retention amount Rs.99,865 for the development of the public road in front of the O.K.I. International School, the balance had been paid , as a result of indication of the total amount of Rs.899,865 in the financial statement, the value of debtors and creditors had been overstated by Rs.800,000 each.</p>	<p>This will be corrected in the account 31 december 2022 .</p>	<p>The erroneously credited and debited accounts should be identified and corrected.</p>
(e)	<p>Twenty seven printers which should be classified under computers and accessories valued at Rs. 2,222,100 had been recorded under machines and equipment. Further, Due to this, the depreciation of computers and accessories had been calculated less by Rs.333,315, the surplus and the balance of computer equipment of the year under review had been overstated by that value.</p>		
(f)	<p>When recognizing other comprehensive income for the year under review, although the capital expenditure grants recognized in surplus/deficit amounting to Rs.11,037,333 should be deducted, as a result of that value was added , the comprehensive income for the year amounting to Rs.22,074,666 had been overstated in the income statement.</p>	<p>Actions will be taken to correct the comprehensive income by final account 31.12.2022 as shown by audit,</p>	<p>Actions should be taken to compute the comprehensive income accurately.</p>
(g)	<p>Although a provision of Rs. 5,000,000 have been made as creditors in the year 2019 for the purchase of 4 motorcycles and 4 three wheelers and shown in the 2021 financial statements, due to the fact that the purchase of those vehicles had not been done by 10 March 2022 the property, plant and equipment balance and creditor balance had been overstated by Rs.5,000,000 .</p>	<p>It has been included in the creditor provisions 2021 with the expectation of receiving the approval by sending to the General Treasury for the purchase. if not approved even by the end of 2022, actions will be taken to remove from the financial statements in 2023 .</p>	<p>Arrangements should be made to obtain approval to purchase in the year 2022 or correct property, plant and equipment and creditor balances in the preparation of final accounts for the year 2022.</p>

- (h) Although the total of Rs.34,313,879 for the purchase of furniture, machines, computers, office equipment in the years 2019 and 2021 had been stated under creditors, the said equipment had not been purchased even by 15 June 2022 and the creditor had not been identified. As a result of this, non-current asset balance and creditor balance had been overstated by Rs.34,313,879 .
- Although purchases have been temporarily suspended as per Budget Circular 03/2022, arrangements will be made to purchase after receiving the approval of the Assistant Commissioner Local Government , Gampaha.
- It should be accurately accounted for.

1.6.2 Balances Receivable and Payable

----- Audit Observation -----	Comments of the Sabha -----	Recommendation -----
(a) The industrial and other creditor balance as at 31 December 2021 was Rs.394,332,270 as per the financial statements and actions had not been taken to pay the arrears of creditor balance of Rs.50,355,267 in between 1 and 2 years of payment arrears period and the balance above 02 years amounting to Rs.9,870,114 .	Actions will be taken to correct as shown by audit.	Actions should be taken to check and pay creditor balances.
(b) The balance was Rs. 290,315,452 as per the debtors' age analysis as at 31 December 2021 and actions had not been taken to recover the balance in between 1 and 2 years period of arrears amounting to Rs.2,222,761 and balance above 2 years amounting Rs.11,603,960 .	Actions will be taken to recover	Actions should be taken to check and recover debtor balances.

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
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Thus the balance as per financial statements in respect of 2 items of accounts was Rs. 115,300,309 and the balance as per the corresponding reports was Rs. 114,993,169, a difference of Rs. 307,140 was observed.	It will be corrected in future.	Accurate balances should be maintained reconciling the accounting reports along with related documents and schedules.

1.7 Non-compliance

Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Audit Observation	Comments of the Sabha	Recommendation
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Taxation and Assessment Act No. 30 of 1946 Section No. 20	Although the assessment should be made once in 05 years, the rates had been recovered based on the assessment of Delgoda sub-office in 2008 and the assessment of Makola and Kadawata sub-offices in 2012 .	The assessment department has verbally informed that an assessment will be done as soon as possible.	Actions should be taken to recover the rates as per the new rates by sending reminders and get the assessment done.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs.128,555,443 as compared with the revenue over recurrent expenditure amounted to Rs.130,566,894 in the preceding year.

2.2 Revenue Administration

2.3 Performance on Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
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<p>It was observed that the values between 1 and 3 years, between 3 and 5 years, between 5 and 10 years and more than 10 years were Rs.5,896,652 Rs.16,052,998, Rs.14,041,039 and Rs.23,567,892 respectively as per the age analysis of assessment, commercial premises rent and rental income at the end of the year under review and that the revenue collection progress was 50, 19 and 51 per cent of the billed revenue respectively and accordingly, adequate measures had not been taken to recover the income.</p>	<p>Due to the re-spread of the Covid 19 epidemic in the year 2021 and the current economic downturn across the island, it was not possible to collect other revenues including rates to the expected level. Issuance of warrants, conducting mobile services, door-to-door collection of arrears of rates , etc. have already been commenced.</p>	<p>Actions should be taken to recover the income.</p>

3. Operating Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
Out of the 92 lands identified in the land survey conducted by the Sabha on 31 December 2020, seven lands in which the extent of land was 2.36 acres and 07 lands in which the extent was not identified had not been valued and shown as land in the financial statement.	Actions will be taken to rectify the properties not included in the account in future as pointed out by the audit.	The land should be valued and shown in the financial statement.

3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
Considering the demand for the service of a gully bowser and according to the proposal of the public health inspector, a sum of Rs. 1,100,871 was spent to buy a 3600 litre gully bowser in the year 2017. An income of Rs. 120,000 had been received from this Gully Bowser in the year 2019 alone. Due to the lack of additional tractor to install and use this Gully Bowser, take more time and expense to go to the waste disposal site, decrease in demand due to the increase in time required to install and use a tractor, and limited income when considering of maintenance costs and income of the Bowser, it had become an idle asset by 31 December 2021 .	Biyagama Pradeshiya Sabha has purchased this Gully Bowser with the specifications obtained by the Senior Mechanical Engineer of the Provincial Road Development Authority. Necessary actions will be taken to look into this and reuse this gully bowser.	Actions should be taken to generate income by using Gully Bowser .

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
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(a) The lands had not been surveyed, the boundaries had not been identified, and name boards had not been installed even by 15 June 2022 in 18 identified cemeteries and 92 public lands as per the Board of Survey Reports 2020 .	Although it may take more time due to the COVID 19 pandemic situation and the difficulty of finding old documents related to land, it is informed that as soon as possible the remaining cemeteries will be surveyed and completed. Installations of name boards in cemeteries are being done at present .	Actions should be taken to get surveyed the cemeteries and install name boards.
(b) Although it had been identified that the 37 perches of land in Walgama, Bandaradeniya have been dumped as per the survey report carried out on the lands by the Sabha as at 31 December 2020 and the Walgama night market and Malwana land of which the extent could not been recognized and has been acquired illegally and that there were unauthorized occupants in 03 houses of the Delgoda housing scheme, the Sabha had not taken any action to remove those unauthorized uses from .	The Sabha does not have any legal documents to prove the ownership of the land named Delgoda Meegalanda where 05 families reside and there is a document in the possession of the Sabha that only states that the relevant land is a donation made by the Board of Investment on rent.	The lands owned by the Sabha should be surveyed and the encroachers should be removed.
(c) In order to develop the building, which started construction in 2002 as a multi-purpose building in the land and was abandoned for 15 years, in the land of 0.2886 hectares in extent owned by	Actions will be taken to speed up the future works to takeover.	Actions should be taken to legally acquire the land to the Sabha and to utilize the building.

Sri Lanka Board of Investment, a sum of Rs. 24.47 million from the Pradeshiya Sabha Fund from the year to 2021 and Rs. 16.9 million from the Provincial Council Fund from 2018 to 2021 had been spent . A total of Rs.41.37 million had been spent. Although the approval of the President's was received in the letter dated 23 May 2022 to hand over the land to the Sabha, it had not been taken over even by 15 June 2022.

3.4 Human Resources Management

Employee Loans

Audit Observation	Comments of the Sabha	Recommendation
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Employee loan advances with total value of Rs.1,347,712 had remained in outstanding as Rs.31,802 from one suspended officer, Rs.694,480 from 05 officers who had left the service, Rs.252,700 from 02 deceased officers, and Rs.368,730 from one retired officer.	Necessary arrangements are being made to collect the sum of Rs.31,802 from a suspended officer. Actions are being taken to charge the amount of 368,730 through gratuity.	Actions should be taken to recover employee loans.