

## **Balangoda Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Balangoda Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position, statement of financial performance, Cash Flow Statement, Statement of changes in equity significant accounting policies and other explanatory information was carried out, for the year then ended 31 December 2023, 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 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 Balangoda Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

#### **1.2. Basis for Qualified Opinion**

I expressed qualified opinion 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 Generally Accepted Accounting Practices, 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 to be prepared.

## **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 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
A land owned by the council worth Rs.5,072,100, a gully bowser and machinery had not been capitalized and a capital expenditure of Rs.424,424 had been considered as operational expenditure.	Corrections will be done in the preparation of accounts for the year 2024.	Should be properly accounted for.

### 1.6.2 Documentary Evidences not made available for Audit

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Detailed schedules were not submitted in 02 accounting subjects totaling Rs.21,590,902.	Will be prepared and updated a schedule.	Schedules should be prepared.

## 1.7 Non- Compliances

### 1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) According to Finance Regulation 571, the retention amount of Rs.296,506 related to the period between the year 2019 and the year 2021 was not settled.	Efforts are being made to collect unclaimed Retention.	Action should be taken as per the Finance Regulations.

- (b) Contrary to Section 12.3 of Chapter XIV of the constitution code, the previous Secretary of the council had also used government vehicles for official purposes while receiving the converted allowance. Government vehicles have been used to cover related duties. Action should be taken as per the Constitution code.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, revenue of the Council that had exceeded the recurrent expenditure for the year ended 31 December 2023 had been Rs.26,568,497 and in corresponding to that, revenue of the Council that had exceeded the recurrent expenditure in the previous year had been Rs.10,267,713.

### 2.2 Revenue Administration

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

According to the information presented by the Secretary, the following is the information about the estimated income, billed income, accumulated income and arrears related to the year under review and the previous year.

Income Source	<u>2023</u>				<u>2022</u>			
	Estimated Income Rs.	Billed income Rs	Collected income Rs	Total deficit as at 31 December Rs.	Estimated income Rs	Billed income Rs.	Collected income Rs.	Total deficit as at 31 December Rs.
Assessments and taxes	1,378,380	1,056,755	1,099,099	98,842	1,378,381	1,083,059	1,030,861	134,681
rental	9,229,800	7,064,969	5,893,135	20,400	9,091,650	6,222,837	5,934,426	86,057
License fees	901,250	1,140,010	1,026,240	-	905,500	881,370	896,120	-
Other income	<u>15,941,800</u>	<u>13,745,036</u>	<u>14,512,826</u>	<u>-</u>	<u>5,489,500</u>	<u>11,573,436</u>	<u>10,908,834</u>	<u>-</u>
	<u>27,451,230</u>	<u>23,006,770</u>	<u>22,531,300</u>	<u>119,242</u>	<u>16,865,031</u>	<u>19,760,702</u>	<u>18,770,241</u>	<u>220,738</u>

### 2.2.2 Performance in Revenue Collection

<b>Audit Observation</b>	<b>Comments of the council</b>	<b>Recommendation</b>
The outstanding assessment amounting to Rs.94,331 and Rs.70,222 in the acre tax balance was more than 03 years old.	Arrears will be collected as soon as possible through various methods.	Arrears of revenue must be collected.

## 3. Operational Review

### 3.1 Solid Waste Management

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
For a compost project, a waste yard had been constructed at a cost of Rs.4,868,664 in the year 2022, but by the end of the year 2023, its work had not started. Because of this, the baler machine, which was bought in July 2022 and cost Rs.950,000, was also unused.	After preparing the necessary facilities, will be started the work at the garbage yard. After that, will be arranged to use the baler machine.	Waste management should be formalized

### 3.2 Operational Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Between the year 2005 and 2021, Rs.3,024,188 was collected from the sale of plot of land on the provisional assessment, but the remaining amount due on the actual sales was not collected.	Will be made necessary arrangements to recover the relevant fees.	Action should be taken to collect the due fees.

### 3.3 Management of Vehicle fleet

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
A tractor received as a donation in May 2015 has been unused since its receipt.	Due to lack of suitable hitch part for this tractor, deployment is difficult.	Assets should not be left unused.