

Balangoda Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Balangoda Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 Statement of Financial operations, Cash Flow Statement, Statement of changes in equity for the year then ended and notes to the financial statements including material accounting policy 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 2024, 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 financial statement 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 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.

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 of this 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 Council	Recommendation
(a) Due to the overcapitalization of the value of 05 development projects by Rs. 732,086, the balance of the Non-Current Assets and Contribution from revenue to Capital outlay Account was overstated by that amount.	That step will be taken to correct this when preparing the accounts for the year 2025.	Project costs must be accurately accounted.
(b) Due to the capitalization of Rs. 200,000 spent on pre-school maintenance, the balance of the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was overstated by that amount.	That step will be taken to correct this when preparing the accounts for the year 2025.	Must be accounted for according to the correct classifications.
(c) Due to the capitalization of Rs. 483,663 spent on painting an Ayurvedic building, the balance of the Non-Current Assets and Contribution from Revenue to Capital Outlay Account was overstated by that amount.	That step will be taken to correct this when preparing the accounts for the year 2025.	Must be accounted for according to the correct classifications.
(d) 41 journal vouchers with a total value of Rs. 776,143,257 had not been approved by the Secretary.	That we will ensure that such mistakes do not occur in the future.	Journal vouchers must be approved.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	In the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	The retention amount of Rs. 375,020 relating to the period from 2018 to 2022 had not been settled.	Action will be taken to settle the retention amount after informing the relevant parties and resolving the issues.	Financial regulations must be followed.
(b)	Public Finance Circular No. 01/2020 dated 28th August 2020, paragraphs 3.1 and 3.2	When obtaining insurance coverage for 19 sabha vehicles, steps had not been taken to select an insurance company through competitive bidding under the procurement guidelines.	That in the future, steps will be taken to obtain insurance coverage at competitive prices under procurement guidelines.	Action should be taken in accordance with the provisions of the circular.
(c)	National Budget Circular No. 02/2017 dated 25th July 2017	Output indicators and key performance indicators had not been identified.	That work will be done to prepare performance indicators when preparing the next budget.	Action should be taken in accordance with the provisions of the circular.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 14,107,286 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 26,568,496 in the preceding year.

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

	2024				2023			
Source of Revenue	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,803,915	4,890,343	4,527,311	456,749	1,378,380	1,056,755	1,099,099	98,842
Rent	8,112,000	3,335,900	4,539,405	-	9,229,800	7,064,969	5,893,135	20,400
License fees	1,030,500	970,305	1,039,075	125,130	901,250	1,140,010	1,026,240	-
Other Revenue	<u>14,147,500</u>	<u>12,702,776</u>	<u>12,716,683</u>	<u>-</u>	<u>15,941,800</u>	<u>13,745,036</u>	<u>14,512,826</u>	<u>-</u>
Total	<u>25,093,915</u>	<u>21,899,324</u>	<u>22,822,474</u>	<u>581,879</u>	<u>27,451,230</u>	<u>23,006,770</u>	<u>22,531,300</u>	<u>119,242</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Council	Recommendation
The outstanding assessment tax balance of Rs. 406,910 as at the end of the year under review included Rs. 12,884 due from 07 units which had been in existence for more than 05 years.	Action will be taken to collect arrears of assessment taxes that have been outstanding for more than five years.	Action should be taken to collect the arrears of revenue.

3. Operational Review

3.1 Performing of Functions Enacted by the Act

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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1.1 Solid waste management

Audit Observation	Comments of the Council	Recommendation
Although the Welipathaya Garbage Yard was constructed in 2022 at a cost of Rs. 5,638,664 to collect and start a composting project for the biodegradable waste collected within the sabha domain, it remained idle at the end of the year under review.	Work on improving the garbage yard was temporarily halted due to public protests.	The problems should be resolved and the garbage yard should be used.

3.2 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Detailed schedules had not been prepared for 02 accounting subjects with a total of Rs. 23,103,097 shown in the financial statements.	That a machinery and equipment installation register will be prepared and updated.	Detailed schedules should be prepared.

3.3 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
The technical officer of the Balangoda Pradeshiya Sabha, from 16th of January 2024, when she was appointed to the sabha, to 20 th of December 2025, had not recorded her arrival and departure on the days she came to the office using the fingerprint machine.	The technical officer has been instructed to take fingerprints during the office day.	All officers should register their arrival and departure using a fingerprint machine on the days they come to the office.

3.4 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The boundaries of 66 of the 100 cemeteries owned by the sabha had not been settled and ownership had not been takeover.	After the relevant cemetery is handed over to the sabha, steps will be taken to strengthen security by installing boundary fences.	Action must be taken to secure ownership of assets and ensure their security.
(b)	Two vehicles that could have been repaired and used had been idle for between 3 and 9 years without being repaired.	Work is underway to repair idle tractors.	Assets should be utilized effectively.