

Biyagama Pradeshiya Sabha - 2020

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 2020 comprising the statement of assets and liabilities as at 31 December 2020, comprehensive income statement, statement of changes in net assets/ 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 provisions of the National audit act No.19 of 2018 and Sub-section 172 (1) of the 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 Biyagama Pradeshiya Sabha as at 31 December 2020, 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, 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

Special provisions regarding the following requirements are included in the National Audit Act No. 19 of 2018.

- (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 recommendations which I made on financial statements for the preceding year had been implemented 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

Reference to Non-compliance relevant Standard	Comments of the Sabha	Recommendation
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3.6 Comparable information regarding the previous comparable period for all the values presented in the period relevant to the financial statements for the current year were not comparatively mentioned.	Accounts will be prepared including the prior year amounts in preparation the accounts of the next year.	Actions should be taken in terms of Accounting Standards.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
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(a) As a result, out of the capital grants received during the year under review amounting to Rs.110,373,331, the relevant value for the year amounting to Rs.11,037,333 was not transferred to a government transfer account for non-recurrent expenses the surplus in the	Financial statements will be submitted identifying the portion pertaining to the year from the Government allocations for non-recurrent expenses from the next year.	Accounts should be accurately prepared identifying the portion relevant to the year.

comprehensive income statement had been understated by that value.

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| (b) | Although the construction of the Makola Multipurpose Building was not completed, the cost incurred for this amounting to Rs.407,730,682 had been capitalized without being debited to the work-in-progress account. | This will be corrected in the preparation of financial statements for the year 2021 . | Assets which were not completed the construction should not be capitalized. |
| (c) | Instead of finding and correcting the reasons for the difference between the balances of accounts such as trade stall receivable, rent receivables, and arrears of house rent and the schedules amounting to Rs.2,407,856 had been credited to the relevant accounts by debiting reserve and provision account. | It will be removed from the reserve and provision account 2021 and record and correct the relevant accounts. | Arrangements should be made to identify the reasons for the difference and to correct. |
| (d) | Instead of looking into and correcting the difference between the value of ayurveda stock and the schedule amounting to Rs.665,792, the difference had been credited to the Ayurveda stock account and debited to the reserve and provision account . | It will be removed from the reserve and provision account 2021 and record and correct the relevant accounts. | Reasons for the difference should be found and accounts should be corrected. |
| (e) | The value of the lands was Rs.459,695,682 according to the detailed schedule submitted for audit on 07 May 2021 only in respect of lands except bathing wells and cemeteries and thus the, the value of the land was Rs.172,620,000 as per the financial statements and the value of the land had been understated by Rs.287,075,682. | It will be looked into this further and correct it by the Final Account 2021. | The reasons for the difference need to be ascertained and the correct values should be brought to accounts. |

2. Financial Review

2.1 Financial Results

The revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2020 in the financial statements submitted was Rs.130,566,894 and the corresponding revenue exceeding the recurrent expenditure for the preceding year was Rs.47,531,362.

2.2 Revenue Administration

2.2.1 Rates and Taxes

Audit Observation

Actions had not been taken to identify the arrears of rate balance amounting to Rs.56,558,110 as arrears units according to the accounts as at 31 December 2020 and to recover.

Comments of the Sabha

The arrears recovery process could not be continued on the imposition of travel restrictions and the isolation of certain Grama Niladhari Divisions due to the covid 19 epidemic situation prevailing throughout the year. The overall charging progress for the year 2020 is 63% . Actions will be taken to identify the arrears in future and recover the remaining arrears.

Recommendation

Actions should be taken to identify the arrears as revenue units and recover them.

2.2.2 Trade Stall Rent

Audit Observation

A number of 86 trade stalls with an annual assessment value of Rs.3,290,100 as per the assessment reports of the year 2019 had been rented out without entering into agreements for the periods from 1 to 28 years and out of the trade stalls rent income to be collected at Kadawatha Sub- office in the year 2020 amounting to Rs.8,438,257 the uncollected trade stall rental income had been Rs.7,388,652 . Out of that Rs.6,959,107 the trade stall rent income of 06 trade stalls could not be able to recover because there were pending legal cases.

Comments of the Sabha

Trade stall agreements are being prepared and at present the trade stall owners attend the relevant sub offices and pay the security deposits. Accordingly, arrangements will be made to enter all the trade stalls into agreement in future. Out of the trade stall rent which should be collected by the Kadawatha Sub-office during the year 2020, a sum of Rs. 171,490 has been recovered by now in addition to the amount collected as at the date of audit. Since there is a case pertaining to the trade stalls from C 1 to C 6 with regard to Kadawatha Sub-office, the arrears of those 06 stalls are being billed without being able to recover.

Recommendation

All trade stalls should be contracted to collect rent and recover of arrears should be made.

3. Operating Review

The matters observed in respect of executing of functions that should have been performed by the Council such as regulation and control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 03 of the Pradeshiya Sabha Act are as follows.

3.1 Operational Inefficiencies

Audit Observation

A sum of Rs.21,375,950 had been spent deploying 11 vehicles and 53 employees of the Sabha for the disposal of waste to the Kerawalapitiya Waste Disposal Yard. There, although 4637 Metric Tons of decayed waste and 1465 Metric Tons of non-decayed waste had been deposited, the attention on recycling of the waste had not been drawn.

Comments of the Sabha

As the Sabha does not own an suitable adequate land to construct a compost yard, it is informed that it was impossible to focus on the production of compost fertilizer. The Sabha had spent a sum of

Recommendation

The waste should be managed obtaining a suitable land and constructing a compost yard .

3.2 Assets Management

Audit Observation

(a) It was observed that the children park constructed in the Hedawathagahawatta common facility land in 01 rood 14.4 perches in extent at Makola South was abandoned and an unauthorized construction was done therein and 05 families had encroached in the Millagahalanda plot of land with 01 rood 33.5 perches in extent in the Delgoda Gramaseva Division and the Sabha had not taken any action in respect of that even by now.

Comments of the Sabha

A Committee has been appointed to take actions in future in respect of the unauthorized constructions and to obtain a report consisted of observations, conclusions and recommendations by examining in respect of 05 families. Future actions will be taken as per that report.

Recommendation

Actions should be taken to make necessary arrangements in respect of unauthorized constructions and to remove the encroachers.

- (b) Although a community hall is planned to be constructed at Delgoda Walawwatte Lot No. 05 Common Facility Land with (Lot No. 26-30) 03 Roods 2.41 Perches in extent, only the pillars had been constructed and the construction had been stopped and although there was a children's park at the "Orange Bill Estate" playground in the Mawaramandiya Grama Niladhari Division, The see-saw, sliding boat and swings installed had remained without using.
- Delgoda Walawwatte land has been transferred to the Pradeshiya Sabha for public facilities. The Ranvimana Hawula Sports Welfare Society has currently commenced to construct a community hall here by now and the Pradeshiya Sabha has not allocated funds for this. Actions will be taken in future regarding unauthorized constructions.
- Since the common facility land is a property belonging to the Sabha, it should be properly manage and the public should be made aware of the usage of the utensils located in the ground.