

Yakkalamulla Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yakkalamulla Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Statement of Financial Operations, 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 accompanying financial statements give a true and fair view of the financial position of the Yakkalamulla Pradeshiya Sabha as at 31 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 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 Principles, 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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(i) 11 Computers and accessories valued at Rs. 494,925 provided by the Chief Ministry of the Southern Province during the year under review, had not been accounted.	Actions will be taken account correctly in future.	Should be accounted correctly.
(ii) The interest amount of Rs. 470,354 had been paid to the Local Loan and Development Fund during the year under review had not been accounted as expenses.	Actions will be taken account correctly in future.	Should be accounted correctly.
(iii) Although Rs. 1,009,500 had been paid to three industries in 2018 and 2019, that amount had not been written off from the credit account.		

1.6.2 Non reconcile control account or reports

Audit Observation	Comment of the Sabha	Recommendation
There was a difference sum of Rs.8,840,398 in between the balance value of 11 accounting items in the financial statements and balance value in relevant utility registers and sub registers as at 31 December of the year under review.	Action will be taken to correct in future.	Action should be taken to correct the accounts by reconciling the changes in the relevant balances.

1.7 Non compliances

Non compliances with laws rules and regulations

Reference to laws rules regulations	Non compliance	Comment of the Sabha	Recommendation
Financial Regulation 156(1) of Democratic Socialist Republic of Sri Lanka	The Sabha had paid a surcharge of Rs.103,420 due to non-payment of contribution amounting to Rs.213,904 to the Employees Provident Fund.	The Officers will not be liable for surcharges for this period as the Council has not taken a policy decision regarding the payment of contribution for leaf pickers to the Provident Fund.	Should act in accordance with Financial Regulations.

2. Financial review

2.1 Financial Review

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 4,177,826 as compared with against the revenue over recurrent expenditure amounted to Rs. 23,100,672 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance of Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
(a) Rent		
(i) The action had not been taken to recover the arrears of rent amounting to Rs.1,888,168.	Steps will be taken to increase revenue collection activities as much as possible.	Arrears of income should be recovered.
(ii) The Sabha had incurred a loss due to the refusal of the taxpayers to pay the amount of Rs.176,850 due from 12 shops in the Shopping complex.	Action will be taken to recover in future.	
(b) Other Revenue		
The action had not been taken to recover the arrears of income amounting to Rs. 24,340,043.	The steps will be taken in the future to minimize such weaknesses.	
(c) Court fines and Stamp Fees		
The action had not been taken to recover Rs.2,656,160 in Court fines and Rs.21,510,415 in Stamp fees as at 31st December of the year under review.	Requests have been made to the Chief Secretariat office.	

3. Accountability and Good Governance

3.1 Environment Issues

Audit Observation

Comment of the Sabha

Recommendation

Solid waste Management

The Sabha had been made compost, by using degradable waste and sell plastic and glass bottles of non-degradable waste and bury the remaining decomposing waste. During the year under review, waste management costs were Rs. 5,449,145 and revenue from fertilizer sales was Rs. 261,775. An environmental permit had not been obtained for this waste project

Organic fertilizer will be made by using biodegradable waste.

A long-term plan should be implemented for the recycling of biodegradable waste as well as non-perishable waste.