

Yatinuwara pradeshiya sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yatinuwara pradeshiya sabha for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 and the income and expenditure account, and other explanatory information, including a summary of significant accounting policies, 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 Sub-section 172 (1) of the Pradesiya Sabha Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in 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 Yatinuwara pradeshiya sabha as at 31st December 2022, and of its financial performance for the year then ended in accordance with generally accepted accounting practices.

1.2. Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 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 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 abha has complied with applicable written law, or other general or special directions issued by the governing body of the pradeshiya sabha
- Whether the 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 pradeshias abha 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 observation on the preparation of Financial Statements

1.6.1 Accounting Policies

Audit Observation	Comments of the Sabha	Recommendation
As at 31 st of December of the year under review, external parties had filed 17 lawsuits against the pradeshia sabha and the pradeshia sabha had filed a lawsuit against an external party Although had incurred an expense of Rs.283,500 for that was not disclosed in the financial statements.	That will be corrected in the year of 2023.	Should be disclosed regarding the cases.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Interest on fixed deposits amounting of Rs.8,168,219 had not been accounted at the end of the year under review.	This error will be corrected in the year of 2023.	Receivable interest should be accounted correctly.
(b) It had not been capitalized Rs.7,568,117 spent on building construction in the previous year and the year under review.	-Do-	Cost of building construction should be capitalized.
(c) Although the advertisement board income for the year under review was Rs.1,288,425, it was accounted as Rs.472,435, which resulted in an understate of Rs.815,990.	The arrears will be collected promptly	Income should be accounted correctly.

- (d) On the last day of the year under review Rs.416,500 abandoned 02 projects had been accounted under creditors. The approval will be obtained from the management committee to cut off In the future. Account balance should be corrected.
- (e) As on the last day of the year under review the balance of the current account as per the cash book was Rs.65,976,479 but it was shown as Rs.66,671,689 in the balance sheet which was overstated by Rs.695,210. That has been corrected in the year 2023. The cash balance should be accounted correctly.
- (f) During the year under review received as donations the sum amounting of Rs.267,729 wooden book racks and library books were not accounted under capital income and expenditure. That will be corrected in the preparation of the final accounts of the year 2023. Donations should be accounted for as income and expenditure.

1.6.3 Unreconciled Control Accounts or Records

Subject	Comments of the Sabha	Recommendation
A difference of Rs.748,579 was observed from the sum stated in the financial statements of Rs.17,707,718 for 02 asset subjects and the sum of balances in the basic accounting books related to one liability subject was Rs.17,560,639.	These changes will be identified and adjusted correctly before the preparation of final accounts of the year 2023.	Differences should be identified and accounts should be corrected

1.6.4 Un availability of written evidence to Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of related documents and schedules to 03 account balances worth Rs.4,149,176 as on 31 st December of the year under review unable to satisfactorily verified in the audit.	That action will be taken to prepare the accounts by entering correct information in the preparation of the final accounts of the year 2023.	Schedules should be prepared correctly.

1.7 Non- Compliances

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

Non-compliances with Laws, Rules, Regulations and Management decisions as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Pradeshiya sabha act no 15 in 1987 Section 149	01 percent fee of Rs.7,069,651 was not collected from a Tourism Board registered hotel within the sabha area, and one hotel had been charged without obtaining the audited set of accounts.	When charging the money for the year 2023, it will be done to get the correct accounts and to get the income details separately.	The provisions of the Act should be followed.
(b)	Urban Development Act No.41 of 1978 and Gazette No.935(6) dated 06 th August 1996	In the year 2018, the sabha received 65.05 perches for public purpose from the sub-divided land of 05 acres and 17.09 perches but 35.07 perches of land was obtained and outside the provisions of the Act money had been taken for the remaining 29.9 perches of land.	Considering the written request of the applicant, it has been recommended to take over land of 35.7 perches and to calculate the amount of 10 percent for the remaining 29.9 perches and deposit the money in the pradeshiya sabha.	The provisions of the Act and instructions of the circular should be followed
(c)	Article 39 of the Local Government Organizations Standard Bye-law No.06 of 1952 No.520/07 dated 23 rd August 1988	The survey was not conducted in respect of advertisement boards and fees of Rs.217,750 were not collected from 76 advertisement boards.	These arrears will also be collected in the year 2023.	Surveys should be conducted annually and fees should be collected timely.

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 2022 amounted to Rs.64,033,946 as compared with the excess of revenue over recurrent expenditure amounted to Rs.65,403,743 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 presented by the Chairman the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Revenue source	Estimated revenue	Billed revenue	2022	Total arrears as at 31 st December	Estimated revenue	2021		Total arrears as at 31 st December
			Collected revenue			Billed revenue	Collected revenue	
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
(i) Rates and taxes	3,467,800	3,714,234	3,508,330	4,895,528	5,721,800	5,623,325	3,188,908	4,689,134
(ii) Rent	1,300,000	1,051,100	269,170	785,430	1,542,060	387,360	301,335	3,500
(iii) License Fees	2,548,000	2,170,513	2,170,513	--	1,888,000	1,687,714	1,782,515	--
(iv) Other Revenue	85,350,200	87,245,363	81,142,699	97,489,632	85,888,700	87,749,495	417,684	91,386,968
Total	92,666,000	94,181,210	87,090,712	103,170,590	95,040,560	95,477,894	5,690,442	96,079,602

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the council are given below.

	Audit Observation	Comments of the Sabha	Recommendation
(a)	From the total revenue sources as on 31 st of December 2021 The deficit was Rs.96,079,602 and as on the last day of the year under review the same value was Rs.103,170,100 and the deficit revenue had increased by 07 percent.	That a revenue collection plan will be prepared in the year 2023 and work will be done to demonstrate a significant revenue collection percentage.	Arrears revenue should be collected.
(b)	Rates The outstanding of an assessment unit is between Rs.5,000 and Rs.10,000 from 103 assessable properties totalling Rs.674,774, between Rs.10,000 and Rs.50,000 from 29 assessable properties Rs.535,877 and the total amount of Rs.467,064 was outstanding from 06 assessed properties above Rs.50,000.	That arrangements have been made for collect the arrears of assessment promptly.	Deficit assessment tax should be collected.

(c) Water Tax

At the last day of the year under review the receivable water fee income was Rs.621,723 while the receivable water fee income related to the period between 01 and 05 years was Rs.575,116.

That action are being taken to inform consumers and send water disconnection notices.

Deficit water income should be collected.

(d) Rent

At the last day of the year under review the receivable stall rent income was Rs.785,430 while the receivable water fee income related to the period between 01 and 05 years was Rs.231,000.

That legal action will be taken against defaulting stall owners.

The stall rent should be collected timely.

(e) Three Wheeler Chargers

In the previous year and the year under review, the total numbers of registered three-wheeler in 42 parks were 509. Due to the non-issue of licenses for 215 and 309 three-wheelers for the years 2021 and 2022 an income of Rs.419,200 had been lost.

An awareness program was implemented to cover the three-wheeler parks, and there will be informed about obtaining licenses in writing and verbally

The Three Wheeler Chargers should be collected.

2.2.3 Court fines and stamp duty**Audit Observation**

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31st of December 2022 were Rs.2,701,869 and stamp duty was Rs.94,162,308.

Comments of the Sabha

These fees will be collected in the year 2023.

Recommendation

Outstanding revenue should be collected.

3. Operational Review**3.1 Performance of functions assigned 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 03 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Under Section 126 of the pradeshiya sabha Act, by-laws should have been enacted to fulfil 30 main matters, but at the 31 st of December 2022 By-laws were not enacted for any matter.	That the by-laws will be enacted by further investigating regard this.	Necessary by-laws should be enacted to carry out the functions.
(b) During the year under review, 04 projects worth Rs.1,249,377 estimated to be utilized using the sabha funds had not been completed.	Contract has been made for these projects, but now has been discontinue due to various issues.	Planned tasks should be done.
(c) There are 06 water projects are operate in the pradeshiya sabha jurisdiction and inspection of the water sample of those projects for the year 2022 the council had failed to provide clean water to the water consumers due to the lack of standard status according to SLS 614/2013.	The instructions given after the water samples are tested will be followed in the future.	Clean drinking water should be issued.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) According to the provisions of the National Environment Act No. 47 of 1980 published in Gazette No.1533/16 dated 25 th February 2008, 109 expired environmental protection license had not been renewed.	Letters have been sent for renewal of all expired environmental protection license and final notices have also been issued for some license	the provision of the act should be followed.
(b) Receivable Accounts The total of 02 receivable accounts balances as on the last day of the year under review was Rs.5,604,065. From that the total of the period between 01 and 05 years was Rs.2,454,484 and the value of the account balances that exceeded a period of 05 years was Rs.3,043,007.	Paying attention on the receivable accounts and collecting them	Receivable accounts balances should be collected.

(c) Payable Accounts

The total of 02 payable accounts balances as on the last day of the year under review was Rs.70,651,884. From that the total of the period between 01 and 05 years was Rs.12,038,848 and the value of the account balances that exceeded a period of 05 years was Rs.5,863,536.

The information will be correctly investigated and corrected in final accounts of the year 2023.

Payable account balances should be settled.

3.3 Assets Management**Audit Observation****Comments of the Sabha****Recommendation****(a) Inspection of assets owned by the Sabha**

Deeds or transfer orders required to confirm ownership of 39 lands used by the sabha had not been obtained. Also, arrangements had not been taken to settle the amounts and boundaries mentioned in the deed and prepare the plans.

That the acquisition of several lands is currently underway.

The legal ownership of the lands owned by the sabha should be confirmed.

(b) Non-receipt of income from assets

The land and building named Wil-amuna Ambalama of 06 perches received as donations is a property with a higher value located bordering the Kandy-Colombo main road, and no any document was submitted for audit to confirm its ownership. Also, the land and building had not been used for any commercial purpose or any other effective purpose.

The original documents of this land can't be found to confirm the ownership. This building was maintained as a non-perishable waste collection center for about 02 years from the year 2016, and it has been proposed to establish an elderly care center.

Land ownership should be confirmed and assets should be utilized

(c) Unclaimed assets

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| (i) | Although Rs.2,600,000 was paid to the Yatinuwara Divisional Secretary on 22 nd of January 2020 for the acquisition of the 02-acre Kirimatiya Garbage Yard the ownership of the land was not transferred to the pradeshiya sabha. | That although all the payments related to the acquisition of this land have been made, the consent of the Secretary of the Ministry of Plantation Industry has not been received until now. | Assets should be taken over. |
| (ii) | Although an expenditure of Rs.119,000 was incurred to take over 04 assets belonging to the jurisdiction of the pradeshiya sabha, they were not taken over and the ownership of a tractor received from the Department of Agricultural Services was not taken over to the sabha. | That the activities related to taking over are being done through the Divisional Secretariat and all the documents have been sent to the Department of Motor Traffic to take over this tractor. | Ownership should be taken over. |
| (d) Idle or underutilized Property | 07 vehicles worth of Rs.17,363,377 remained idle and underutilized. | Since 03 vehicles are idle, a program is being prepared to give them to the organizations that need them, 03 vehicles are being repaired, and one vehicle is being removed. | The relevant measures should be completed immediately. |

3.4 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
(a) Construction of Roof of the Poththapitiya Library Rs.936,216		
(i) According to the physical inspection of supplying and fixing asbestos roofing sheets to the roof of work number No. 02, Rs.212,447 was overpaid for 102.88 square meters and under work number no.01 for removal of old roof Rs.12,860 had been overpaid for 102.88 square meters.	After informing the concerned society they have been agreed to pay the excess amount of Rs.235,630 to the council in cash.	Officials who recommended payment for unexecuted work should be identified and action should be taken.

(ii) Rs.10,323 was overpaid to the contractor for 02 down pipes under work number 07.

**(b) Construction of Gannoruwa Ayurveda Center Building
Rs.2,272,708**

- (i) According to the physical measurement of the work No. 05 Slab Beam Formwork, Rs.24,525 was overpaid to the contractor for 5.34 square meters and Rs.29,926 was overpaid to the contractor for 14.36 square meters under Slab Formwork. In order to deduct the overpaid amount of Rs.207,176 from the payment of retention money, it was discussed with the concerned contract society, and they have given their consent in writing for the same. Payments should be recommended only for work done and officers who recommended payment should be identified and action should be taken.
- (ii) For the concrete Slab 12 wires of 4.25 meters length and 04 wires of 2.3 meters length were calculated extra and Rs.35,308 were paid to the contractor. Also, Rs.141,900 was overpaid for 150 kg of coiled steel wire which could not be physically identified as per work item number 03 of the bill. Rs.128,798 was paid to the contractor without physically identifying that 136.15 kg of coiled steel wire (Reinforcement) was used for the stairs of the building.