

Yatinuwara Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yatinuwara Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 and Income and Expenditure Account, 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 sub-section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and sub-section 10 (1) of 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 Yatinuwara Pradeshiya Sabha as at 31 December 2024, and of its financial performance and for the year then ended in accordance with Generally accepted Accounting Practices

1.2 Basis for Qualified opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements

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 includes 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

Audit Observation	Comments of the Sabha	Recommendation
(a) Office equipment totaling Rs. 126,164, machinery totaling Rs. 318,455 and 05 plots of land received as donations to the Sabha totaling Rs. 1,617,473 had not been accounted for.	Action will be taken to correct it in 2025.	Assets should be accounted for.
(b) The computer purchased for Rs. 252,520 in the year under review had been recorded as Rs. 25,252, and understated by Rs. 227,268.	Action will be taken to correct it in 2025.	Accounts should be prepared correctly.
(c) The lease rent of Rs. 275,860 paid in the year under review for land acquired on lease for the period from 01 January 2025 to 31 December 2025 for the Danthure Market Ground was considered and accounted for as an expense in the year under review.	-Do -	Expenses should be identified and accounted for.
(d) While payments for 76 development projects carried out with Sabha funds from the year 2020 to the year under review had been completed, a total of Rs. 3,483,986 related to those projects had still been shown in the accounts under creditors.	Action will be taken to settle in the future.	Payments must be properly identified and accounted for.

1.6.2 Reconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) A difference of Rs. 96,096 was observed, when comparing the balances of 02 asset units shown in the financial statements as at the end of the year under review with the relevant schedules.	It will be corrected in the future.	Account balances should be reconciled with schedules and corrected.
(b) A difference of Rs. 756,971 was observed as the arrears rates balance as of 31 December 2024 was Rs. 8,539,423 as per the computer program, but was stated as Rs. 7,782,452 in the financial statements.	It is difficult to check changes that have been carried forward for a long time, and It will be examined and make sure	Account balances should be reconciled and corrected.

that the balance is correct and present it without any changes in the future.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to the non-submission of documents, schedules and files relating to 04 asset balances and one liability balance totalling Rs. 16,545,720 as shown in the financial statements as at the end of the year under review, it was not possible to conduct a satisfactory audit.	That documents and schedules will be identified and corrected in the future.	Relevant documents, files and schedules should be maintained to verify each account balance.

1.7 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows..

	Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Parliament Acts				
(i)	Section 83.1 of Part VI of the Planning and Building Regulations as amended under Section 21 of the Urban Development Authority Act, No. 41 of 1978, published in the Extraordinary Gazette notification No. 2235/54 dated 08 July 2021, read with Section 08 of that Act.	Certificates of conformity had not been issued for 486 building development permits approved from 2021 to 2023, and no steps had been taken to inspect those constructions and collect rates.	It will be looked into and take action in the future.	Buildings should be inspected and certificates of conformity should be issued.
(ii)	Sections 47, 49(b) and 52 of the Pradeshiya Sabha Act No. 15 of 1987	Necessary action had not been taken regarding 239 unauthorized constructions identified from the year 2022 to the end of the year under review.	It will be investigated regarding the construction and take legal action in the future.	Legal action should be taken regarding unauthorized construction.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R. 571(3)	Action had not been taken to settle 1,073 lapsed deposits worth Rs. 3,586,460 relating to the period from 2015 to 2024.	The correction has been made and actions are being taken to include the excess balances as revenue.	Overdue deposits should be settled.
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(c) Local Government Commissioner Circular No.1988/22 dated 17 th May 1988	Although all immovable properties within the Sabha area should be assessed at least once every 5 years to levy rates, the Sabha had delayed the implementation of the assessment carried out in 2018 until 2024, and although 7 years had passed since the assessment, the Sabha had levied rates for the year 2025 based on the 2018 assessment.	Action will be taken to implement a new assessment from 1 January 2024.	Property should be assessed once in every 5 years and rates should be levied.
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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. 94,337,117 as compared with the excess of revenue over recurrent expenditure amounted to Rs..97,582,139 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 Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

2024					2023			
Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	17,836,560	16,965,543	13,487,278	7,127,056	3,468,000	3,711,599	4,801,001	3,648,791
(ii) Rent	1,630,000	1,591,950	1,886,675	1,105,480	1,500,000	1,163,355	548,580	1,400,205
(iii) License Fees	3,251,360	2,781,617	2,733,037	102,580	5,405,000	4,225,144	4,225,144	54,000
(iv) Other revenue	110,511,000	113,339,884	181,058,626	80,611,858	76,500,000	65,629,145	19,232,229	148,330,600
Total	133,228,920	134,678,994	199,165,616	88,946,974	86,873,000	74,729,243	28,806,954	153,433,596

2.2.2 Performance in Revenue Collection

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

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Rates		
	The arrears of rates as on 31 st December of the year under review were Rs. 6,516,863. Out of those arrears, Rs. 1,037,378 had not been collected from 41 assessment units where the arrears per unit were more than Rs. 10,000 in accordance with Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.	Action will be taken to recover it in 2025.	Arrears of rates revenue should be collected promptly.
(b)	Rent		
	As of the end of the year under review, Rs. 1,107,405 had not been collected from 05 stalls owned by the Sabha from 2006 to 2024.	These values will be corrected and the arrears collected in 2025.	Outstanding balances should be corrected and collected promptly.
(c)	Other Income		
	Court fines and Stamp duty		
	Receivable Court fines of Rs. 1,053,740 and stamp duty of Rs. 75,323,986 were due from the Chief Secretary of the Provincial Council and other authorities as of 31 December 2024.	No answers	Court fines and stamp duty should be collected.

3. Operational Review
3.1 Management inefficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although Rs. 730,000 was paid as building plan approval committee allowances during the year under review, Since the officers who participated in the planning committee did not record the exit on the fingerprint machine, it could not be ruled out that it was done during working hours.	In the future, the departure time will be recorded on the fingerprint machine.	Arrangements should be made to record the exit on the fingerprint machine.
(b)	From 2011 to 2020, action had not been taken to recover the amount of Rs. 288,697 that the Sabha had received less than the value paid to creditors for 12 Projects.	Action will be taken to correct it in 2025.	All money should be collected.
(c)	Although, as per the Planning Circular No. 08 of the Urban Development Authority No; 05/1/119 dated 30 th September 1987, the money in the Investment Account opened on behalf of the Urban Development Authority can be utilized for regional development after consulting the Urban Development Authority, none of the balance of Rs. 9,468,919 as on the end of the year under review had been utilized for regional development.	In the future, this funds and Sabha funds will be used for regional development.	The relevant funds should be effectively used for regional development.
(d)	Although the water sample test reports from 6 water schemes owned by the Sabha showed that the water quality was low, the project had distributed drinking water without treating the water.	Actions are being made to maintain water resources at a very good level and their quality will be tested in 2025.	Drinking water should be purified and made available to the public.
(e)	As of the end of the year under review, 11 creditor balances of Rs. 1,944,849 relating to the period from 2019 to 2022 as shown in the financial statements had not been settled. As of the end of the year under review, Rs. 1,463,509 remaining as miscellaneous creditors was the amount remaining after payment to the relevant creditors, and no steps had been taken to adjust it.	The creditor balances will be examined and the reports will be sent to the Local Government Department for approval and further action will be taken according to its decisions.	Accounts should be reconciled and creditor balances should be settled.
(f)	An unpaid balance of Rs. 822,300 in fuel allowances for council members had been	A report regarding that balance will be sent to the Local Government	Creditor balances should be settled.

erroneously stated in the financial statements under creditors.

Commissioner for approval and further action will be taken based on those decisions.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
08 vehicles worth Rs. 952,500 had been lying idle or underutilized for a period of between 02 to 04 years without being used. Although decisions had been taken to dispose of those vehicles at the General Assembly meetings held on 21 July 2020 and 19 July 2022, those decisions had not been implemented by the end of the year under review.	Although the necessary reports on the performance and evaluation of the vehicles have been provided to the Local Government Commissioner prior to the auction, the auction process has been delayed due to the failure to receive those reports.	The disposing process should be implemented.

3.3 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
Non Acquired Assets		
The ownership of 31 plots of land used by the Sabha had not been acquired.	After confirming the ownership of the property, surveying will be carried out and action will be taken to acquire it.	The ownership of the lands owned by the Sabha should be taken over.

3.4 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
When comparing the approved and actual staff, there were 18 vacancies in 10 posts and 28 excess in one post.	Although recruitment has been delayed due to the government's recruitment policy, the Local Government Commissioner has been informed to conduct a review of vacant positions and staff.	Vacancies should be filled and public services should be maintained efficiently.

**4. Accountability and Good Governance
Environmental Problems**

Audit Observation	Comments of the Sabha	Recommendation
Due to the open burning of non-biodegradable waste at the Kirimatiwatte Waste Management Centre, the smoke emitted from it had a harmful effect on the public and the environment.	Action will be taken in the future to destroy it properly.	Waste should be managed in an environmentally friendly manner.