

## **Yatinuwara Pradeshiya Sabha – 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Yatinuwara Pradeshiya Sabha including the financial statements for the year ended 31<sup>st</sup> December 2021 comprising the Statement of financial position as at 31<sup>st</sup> December 2021, Statement of Financial Operations 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 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 financial statements give a true and fair view of the financial position of the Yatinuwara Pradeshiya Sabha as at 31<sup>st</sup> December 2021, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices.

#### **1.2 Basis for Qualified Opinion**

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I expressed qualified opinion 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**

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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)

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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

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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

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comments of the Sabha	Recommendation
Interest receivable of Rs.72,242 on fixed deposits for the year under review had not been disclosed in the financial statements.	It will be corrected in the preparation of financial statements for the year 2022.	Interest income should be correctly recognized and accounted for.

### 1.6.2 Unreconciled Control Accounts or Records

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Audit Observation	Comments of the Sabha	Recommendation
At the end of the reviewed year, there was a difference of Rs.577,101 between the account balances shown in the financial statements and the balances in the source documents in relation to 03 account subjects.	Action will be taken to correct in the future.	Differences should be identified and corrections should be made.

### 1.6.3 Documentary Evidences not made available for Audit

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Audit Observation	Comments of the Sabha	Recommendation
At the end of the year under review, the land and building value of Rs.5,965,085 in the balance sheet could not be satisfactorily verified in the audit due to the non-submission of deeds and survey plan.	That, the necessary activities will be carried out in the future.	Documents confirming the ownership of the assets should be maintained

## 2. Financial Review

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### 2.1 Financial Result

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31<sup>st</sup>December 2021 amounted to Rs.65,403,743 as compared with the excess of revenue over recurrent expenditure amounted to Rs.32,561,340 in the preceding year.

### 2.2 Revenue Administration

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#### Performance in Revenue Collection

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Following are the observations regarding the revenue collection performance of the council.

Audit Observation	Comments of the Sabha	Recommendation
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(a) Rates		
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At the end of the year under review Rs.4,798,494 of arrears of assessment tax had not been collected and in that balance there was Rs.2,798,696 due from 383 units where the deficit per unit exceeded Rs.1,000.	That it was not possible to implement arrears revenue collection programs due to the Corona epidemic situation.	Assessment tax in arrears should be recovered.
(b) Water charges		
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Water charges of Rs.447, 593 due at the end of the year under review had not been collected from 06 water projects implemented by the council.	In the future, action will be taken to hold mobile services and send disconnection notices to non-paying customers.	Water charges in arrears should be recovered.

## 3. Operational Review

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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 Council Section 03 of the Pradeshiya Sabha Act are shown below.

### 3.1 **Operational Inefficiencies**

#### Audit Observation

#### Long-term outstanding loan balances

21 Project debtor balances worth of Rs.2,560,467 to be charged to the council which have not been charged since the year 2014 and before and various debtors' balances of Rs.482,540, which were not submitted information to the audit, had not been recovered.

#### Comments of the Sabha

At present, old documents are being checked and information is being sought.

#### Recommendation

The debtor balances should be identified and charged

### 3.2 **Idle or underutilized Property, Plant and Equipment**

#### Audit Observation

An unusable cab, 02 tractors and 02 tractor trailers valued at Rs.719,000 owned by the council remained idle without any repair or disposal from the year 2015 to the end of the year under review.

#### Comments of the Sabha

That, the Cab is under repair and Actions will be taken to auction 02 Tractors and 02 Trailer as per the decision of Board of survey.

#### Recommendation

Appropriate action should be taken on unused assets