

## **Yatawatta Pradeshiya Sabha - 2020**

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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 Yatawatta Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, 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 Pradeshiya Sabhas 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 the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Yatawatta 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**

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My opinion is qualified 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**

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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 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 Sub-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 to be prepared.

#### 1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha has performed according to its powers, functions and duties; and

- Whether the resources of the Pradeshिया 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.

- The financial statements of the Pradeshिया Sabha are in consistence with that of the previous year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The recommendations made by me during the previous year are included in the financial statements presented 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	Comment of the Sabha	Recommendation
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(a) An interest of Rs.24,846 of one fixed deposit had been overstated and an interest of Rs.17,311 of another fixed deposit had been understated in the account.	Action will be taken to correct it in the accounts for the year 2021	Accurate account balances should be stated in the financial statements.
(b) The balance of Rs.140,834,906 which is being the total of two accounts balances comprising Rs.57,188,983 of the Revenue Contribution to Capital Input Account and Rs.83,645,923 of the Donation Contribution to Capital Input Account as at the end of the year under review had been stated under the loan capital in the balance sheet.	Action will be taken to correct it in the accounts for the year 2021	Account balances should be corrected.
(c) A tax of Rs. 443,749 received in the sale of 03 lands by public auctions had been retained in the General Deposit Account as at the end of the year under review without being credited to the Revenue. Of the above tax income, Rs. 55,491 received during a previous year had been brought to account as an income of the year under review.	Action will be taken to correct it in the accounts for the year 2021	Account balances should be corrected.

## 1.6.2 Lack of Documentary Evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
As the files, documents, schedules and title deeds had not been submitted to confirm balances totalling Rs. 3,113,628 of 04 items of account, those could not be satisfactorily verified in audit.	Action will be taken to settle it in the future.	Documents and schedules should be prepared in an updated manner by identifying the accurate information.

## 1.7 Non-compliance

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

Reference to Laws, Rules and Regulations etc.	Non-compliance	Comment of the Sabha	Recommendation
Extraordinary Gazette No. 1914/40 dated 15 May 2015 of the Democratic, Socialist Republic of Sri Lanka.			
3(1) I and 3(2)	Even though it had not been formally confirmed that 12 members would not attend the Council from January to August 2020, allowances of Rs.405,000 had been paid.	As it had not been informed in writing that they would avail of leave, action will be taken to correct it in the future.	Action should be taken in accordance with the circular guidance.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs.17,631,190 for the year ended on 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs.8,013,361.

### 2.2 Revenue Administration

#### Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
Stamp fees of Rs. 2,700,251 due from the Chief Secretary of the Central Province and other authorities as at 31 December of the year under review had not been collected.	Action will be taken to recover the arrears of revenue	Action should be taken to recover the arrears of revenue

### 2.3 Surcharge

Audit Observation	Comment of the Sabha	Recommendation
The surcharges of Rs. 32,259 imposed as per the provisions of the Pradeshiya Sabha Act, on those responsible in previous years remained recoverable as at 31 December 2020.	Action will be taken to recover the surcharges in the future.	Action should be taken to recover the surcharges.

### 3. Operating Review

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

#### 3.1 Operating Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
An environmental protection license had not been obtained for the waste disposal premises.	As Pradeshiya Sabha has no ownership of the land, the license could not be obtained .	environmental protection license should be obtained

#### 3.2 Irregular Transactions

Audit Observation	Comment of the Sabha	Recommendation
(a) Without the recommendation of the Revenue Inspector and Environmental Officer of the Sabha , a person who had not obtained an environmental protection license from the Central Environmental Authority for slaughtering animals for meat had been issued a license to maintain a cattle slaughterhouse.	That the environmental license has not been issued and action will be taken to issue the security deed after the issue of the environmental license.	Action should be taken according to a formal procedure.

- (b) Utilizing the provisions of the Ministry of Provincial Councils and Local Government, money had been reimbursed from the Provincial Council entering forged notes in the report of the completion of related work of the Pathingaskotuwa and Mediyapola Water Supply Scheme by stating that the repair work industry was 100 per cent completed by 18 December 2017 and had been inspected on the same day. Nevertheless, the construction work had not been completed even by 31 December 2017 and pipes and plumbing accessories purchased at a cost of Rs.398,751 had been stored unsafely in the premises even by 31 December of the year under review without completing the remaining work.
- A preliminary inquiry was conducted and a charge sheet is being prepared.
- Necessary steps should be taken.