

## **Yatinuwara 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 Yatinuwara Pradeshiya Sabha including the financial statements for the year ended 31<sup>st</sup> December 2020 comprising the balance sheet as at 31<sup>st</sup> December 2020, Income and Expenditure Account, Significant accounting policies and other explanatory information for the year then ended 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 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 Yatinuwara Pradeshiya Sabha as at 31<sup>st</sup> December 2020, and of its financial performance for the year then ended in accordance Generally accepted Accounting Principles.

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

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My opinion is qualified based on the facts set out 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 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 further:

- 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 whenever 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) The financial statements of Pradeshiya Sabha are consistent with the preceding year as per the requirement mentioned in Section 6(1)(d)(iii) of the National Audit Act No.19 of 2018.
- (b) The recommendations made by me during the preceding year as per the requirement mentioned in Section 6(1)(d)(iv) of the National Audit Act No.19 of 2018 are included in the financial statements submitted.

## 1.6.1 Audit Observations on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) 49 meters of water worth Rs. 230,300 was not included in the closing stock.	Action will be taken to adjust in the year 2021.	It should be accounted correctly.
(b) Fixed assets worth Rs. 285,904 had not been accounted for.		
(c) 04 industry creditor and debtor balances of Rs.212,161 had not been accounted for, while 04 industry creditor balances had been understated by Rs.65,275 and 06 debtor balances had been overstated by Rs.103,366.		
(d) The value of 02 lands belonging to the Sabha amounting to 145.9 perches had not been identified and accounted for.	It is informed that action will be taken to correct in the future.	It should be accounted correctly.

### 1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
There is a mismatch of Rs.3,296,697 between the balances related to 04 Account subject as per the financial statements and balance as per the source documents.	It is informed that the documents will be checked and corrected.	Action should be taken to correct.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Schedules, Balance confirmations and time analysis related to 10 account subjects amounting to Rs.11,261,418 had not been submitted for audit.	It is informed that action will be taken to correct this in the year 2021.	Written evidences should be prepared and submitted.

## 2. Financial Review

### 2.1 Financial results

According to the financial statement presented, excess of revenue over recurrent expenditure of the Council for the year ended 31<sup>st</sup> December 2020 amounted to Rs.32,561,340, as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.39,179,162.

### 2.2 Revenue administration

#### 2.2.1 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) Rates and taxes		
Assessments and water taxes due at the end of the year under review of Rs.3,164,565 and Rs.85,871 respectively had not been collected.	It is informed that It will be collected by various programs in the future.	Action should be taken to recover income.
(b) Court fines and stamp duty		
At the end of the year under review, court fees of Rs. 1,156,792 and stamp duty of Rs.34,290,379 had not been collected.	It is informed that charges will be recovered in the future.	Arrears should be recovered.
(c) Rent		
Two shops in the old Pradeshiya Sabha building had been illegally leased out to outside parties for a long period of time, resulting in a loss of Rs. 200,000 in rental income.	It is informed that it is being done legally through the Commissioner of Local Government.	Action should be taken to earn income from assets

## (d) Other income

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 Licenses for 82 three-wheelers in the area of authority had not been issued and receivable fees of Rs.65,600 had not been charged for licensed three-wheelers.

It is informed that the revenue collection has decreased due to the epidemic situation.

Income should be collected.

**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 Sabha under Section 03 of the Pradeshiya Sabha Act are shown below.

**3.1 Idle or underutilized Property, Plant and Equipment**

	Audit Observation	Comments of the Sabha	Recommendation
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(a)	Poththapitiya Multipurpose Building		
	----- The 244 square meters of the above 810 square meters building of which construction was completed at a cost of Rs.70 million under the Urban Development Program, by the Urban Development Authority and handed over to the Sabha on February 20 <sup>th</sup> 2020 was still idle as of March 2021, the Audited date.	It is informed that letters have been sent to the Valuation Department for valuation and lease out the idle plots.	Action should be taken to earn income from assets.
(b)	From the auction lands from 2002 to 2018, 06 plots of 225.77 perches received by the Sabha remained vacant.	It will be used for public facilities in the future.	Assets should be utilized.