

Yatiantota Pradeshiya Sabha – 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yatiantota Pradeshiya Sabha including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Statement of Financial Performance 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. 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 Yatiantota 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

My opinion is qualified 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 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)**

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 Act.
- (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 Act.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
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(a) Incurred expenditure Rs. 1,891,600 for the construction of Yatiyantota weekly faire and library had been debited to the accumulated funds and deficit account instead of being debited to the capital expenditure account from the Rs. 3,005,000 fixed deposit released during the year under review, as result deficiency of the year has been understated by the same amount.	Informed that action will be taken to not occur such errors in the future redeem of fixed deposits.	Capital expenses should be accounted under the capital expenditure.
(b) Instead of calculating and accounting the cost of production of the quantity Produced fertilizer during the year, The selling value Rs. 343,471 of quantity sold during the year has been accounted as production of the year.	Informed that Production costs will be accurately identified and accounted.	Production costs should be calculated and accounted.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
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A difference was Rs 672,408 because of value in the financial statements pertaining to an account subject was Rs. 11,436,630 and according to the schedules of the value was Rs. 10,764,222.	Discrepancy was due to years of ambiguity in document control and informed that action will be taken in 2021 to reconcile the financial statement value and the staff loan balances.	The reasons for the difference should be examined and corrected.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation -----	Comments of the Council -----	Recommendation -----
Evidence for audit related to an account subject of total Rs.835,984 has not been submitted.	Informed that proper verification will be done and appropriate settlements will be made.	Liability confirmed with written evidence should be provided.

1.7 Non Compliances

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

The instances of non-compliance with the provisions of the laws, rules, regulations and management decisions were given below.

Reference to Laws, Rules Regulations etc. -----	Non-compliance -----	Comments of the Council -----	Recommendation -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 371(1)	Advanced money of Rs 137,710 given to a Rural Development Society dated on 28 November 2014 has not been settled even at end of year under review.	This balance to be settled from the Provincial Council or Ministry of Local Government, and It has been informed that the action will be taken to Settle this balance in the year 2021 as per the instructions given by those institutions.	Action should be done in terms of the Financial Regulation.
(b) Paragraph (1) of the Planning Circular No. 28 of the Urban Development Authority dated 13th December 2017 and Circular No. 2005/04 of the Sabaragamuwa Local Government Commissioner	Although 10 percent of the land where selling more than 01 hectare should be transferred to Sabha for community and recreational purposes in the development and subdivision of plots of land. This had not been done in the subdivision of Kurahanhena Galpatha land and Pattalaowitawatta land.	Galpatha division has not been designated as an area under the Urban Development Authority and no transfers had been made and informed that appropriate action will be taken.	Action should be taken to takeover.

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 2020 amounted to Rs.11,887,625 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 10,175,128 in the preceding year.

2.2 Revenue Administration

Performance in Revenue Collection

Audit Observation	Comments of the council	Recommendation
(a) Rates and Taxes	.	
The rates and tax due as at the end of the year under review was Rs.655,055 had not been recovered.	Informed that action will be taken to recover in the year 2021.	Action should be taken to recover outstanding revenue.
(b) Stamp fees		
The outstanding balance of Rs. 4,979,401 receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2020 had not been recovered.	Informed that action will be taken to recover this money	Action should be taken to recover revenue due.
(c) Other income		
No action had been taken to recover amount of Rs. 186,250 for 75 advertisement recognized during the field inspection by the Revenue Examiners.	Revenue collection has been reduced due to adverse social health situation and non-chargeable amount of Rs. 56,950 from the amount of Rs. 186,250 has been recognized. Informed that action will be taken to recover the rest of amount in the board of survey of the next year.	When revising the revenue due, it should be done with proper confirmation and recoverable outstanding should be recovered immediately.

3. Operational Review

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 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Although Certificates of Conformity should be issued for buildings constructed on approved plans in terms of Section 21 of the Urban Development Authority Act No. 41 of 1978 but 108 out of 120 applications submitted for construction of buildings had been approved within a period of 03 years due to non-application of Certificates of Conformity after completion of construction and non-identification of such constructions by field inspection and only 15 Certificates of Conformity have been issued.	There is a delay in issuing certificates of conformity due to non-completion of construction on time even though the building plans have been approved. Informed that the period of the relevant permits will be extended and steps will be taken to regularize the activities with special attention in this regard.	Construction should be dealt act in terms of the Act.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Council	Recommendation
Although the JCB machine worth Rs.6,695,000 received from the Ministry of Local Government and Provincial Councils on 14th June 2017 was inactive since 2019 and revenue receivable to Sabha has been lost due to delay in repairing it and expenditure has to be spend.	Informed that repair activities have delayed due to the issue of making the provision.	It Should be repaired immediately and used for the functions of the Sabha.

3.3 Defects in Contract Administration

Audit Observation	Comments of the Council	Recommendation
Where inspecting regarding the construction of Yatiyantota public library which was constructed at a cost of Rs. 3,392,432 and matters revealed that has huge slope of the one side of the constructed building and not obtaining the a certificate from the National Building Research Institute that free from risk of construction, not having a plan regarding the construction of first floor or estimates,	Obtaining the recommendation of the Building Research Institute in the future extension of the new building, the building plan expected to be constructed under the provisions of the Sabha has now been prepared and finalized, proposed to complete the roof covering of the upper floor within the next year and even it is performed under 03 stages according to the provisions and capacity of the	Preparation of plan, obtaining recommendation and approval of the relevant authorities and preparation of total cost estimation should be done where doing the construction

there was a risk of wire decay exposed of the open reinforcement due to the delay the construction of first floor roof, carrying out construction under 3 stages by separately entering in to agreement without prepare an overall estimate and prepare estimates less than two million for enabling to civil society to construct and not preparing estimates for one side of the wall in the constructed building and not obtaining the Sabha approval have been observed

institution, Procedures has been followed according to the protection the quality of construction and that the wall had to be constructed quickly as a long-term solution to the land boundary problem. Informed that this work value was managed with original estimated value and suspense work unit.

4. Accountability and Good Governance

Annual Action Plan

Environmental Observations

Audit Observation

Comments of the Council

Recommendation

According to the analyst report made by the Department of Agriculture regarding the produced compost fertilizer under the solid waste management of Sabha. The values in the 4 out of 9 tested components have exceeded the required values. But action has not been taken to bring the standard level of the produced stock.

It was informed that a joint program with the Ministry of Agriculture will be carried out in the year 2021 to maintain the quality of the compost production, Even though prevailed the weakness pointed out due to the fact that the Council does not have sufficient professionalism to achieve the quality of the compost production.

Action should be taken to produce the compost fertilizer to the required standard.