

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yatawatta Pradeshiya Sabha including the financial statements for the year ended 31st December 2021 comprising the Balance Sheet as at 31st December 2021, Income and Expenditure Account 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 reported 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 Yatawatta Pradeshiya Sabha as at 31st 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

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

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) Although the interest receivable on a fixed deposit of Rs.1,419,700 at the end of the year under review was Rs.61,455, it had been over stated by 46,430 since it recorded as Rs.107,885.	That will be corrected by the journal entries of the year 2022	Financial statements should be prepared accurately.
(b) Electricity charges of Rs.30,972 payable at the end of the year under review related to the Mahawela Water Project had not been accounted for.		
(c) 27 Units of material worth of 66,779 in the stores water register and 61 water pipe fittings whose value has not been recognized had not been included in the stock and accounted for at the end of the year under review.		
	That, the prices will be assessed and documented and accounts will be corrected future	Financial statements should be prepared accurately.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
Due to non-submission of required information 03 accounting subjects total at Rs.17,445,534 could not be satisfactorily verified.	That the arrears will be settled and fixed asset registry will be prepared immediately.	Written evidence should be submitted for audit.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

Followings are the instances where laws, rules and regulations were not complied with.

Reference to Laws, Rules Regulations etc	Non-compliance	Comments of the Sabha	Recommendation
Standard By-laws published in the Special Gazette of the Democratic Socialist Republic of Sri Lanka No. 1955/7 dated 23 rd February 2016.			

Paragraph 12 of the By-laws on Inspection of Plans and Collection of Fees for Construction of Buildings within Pradeshiya Sabha Area.	A land portion of 30.76 perches worth Rs.922,800 had not been taken over for community and recreational purposes from Ratalavewa estate which was sub-divided and sold during the year under review.	That the land will be taken over in the future.	According to the by-law provisions, action should be taken to acquire land for community and recreational activities.
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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 31st December 2021 amounted to Rs14,909,058as compared with the excess of revenue over recurrent expenditure amounted to Rs.17,631,190 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
As on December 31 st of the year under review, from the Chief Secretary of the Central Province and other authorities, court fines receivables were Rs.913,662 and stamp duties receivables were Rs.12,770,997.	That court fines of Rs.219,166and stamp duty of Rs.9,084,197 should be charged on April 30 th 2022.	Action should be taken to recover the arrears of income.

2.3 Surcharges

Audit Observation -----	Comments of the Sabha -----	Recommendation -----
According to the provisions of the Pradeshiya Sabha Act, the surcharges amount of Rs.32,259 imposed in previous years against the responsible persons were to be recovered as on December 31 st , 2021.	That the Local Government Commissioner sues to recover the money.	Surcharges should be collected according to the provisions of the Pradeshiya Sabha act.

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

3.1 Management Inefficiencies

Audit Observation

Comments of the Sabha

Recommendation

At the end of the year under review, the total of 6 accounts receivable balances amounting to Rs.17,346,115 had not been recovered. It had been included Rs.15,743,502 of which uncollected period is less than 01 year balance, Rs.527,552 balance above 01 year and below 05 years, and the balance above 05 years of Rs.1,045,061 .

That the balances of more than 05 years have not been charged so far.

Actions should be taken to recover the receivables.

3.2 Asset Management

Audit Observation

Comments of the Sabha

Recommendation

(a) 4 lands of 59.40 perches belonging to the Sabha worth Rs.350,600 had been acquired by outsiders without permission.

That necessary action will be taken under the Recovery of Possession Act.

Safety of assets should be ensured.

(b) The ownership of 08 lands worth of Rs.3,750 which were presented under the fixed assets and used by the Sabha but the area had not been specified, 05 buildings including community halls with a total of Rs.1,640,178 and 03 vehicles with a total of Rs.710,980 had not been taken over.

That, asset acquisition proceedings have been initiated.

Action should be taken to take over the relevant assets.