

Yatawatta pradeshiya sabha - 2022

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 31 December 2022 comprising the Balance sheet as at 31 December 2022, Income and Expenditure account, 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 and with the provisions of the National Audit Act No. 19 of 2018 read in conjunction with the sub section 172(1) of 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 financial statements give a true and fair view of the financial position of the Yatawatta pradeshiya sabha as at 31 December 2022, 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 regarding financial statement 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 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 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 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 include specific provisions for following requirements.

- (a) The financial statements of the pradeshya 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 of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit observation on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) in the year under review Rs.138,510 receivable from the Divisional Secretariat and payable to the contractor had not been accounted for under debtors and creditors.	That will be corrected by journal entries in the year 2023.	Should be accounted correctly.
(b) Garbage charges related to the year under review Rs.273,750 were stated in the income and expenditure account as Rs.255,330, which was under stated by Rs.18,420.	That will be corrected in future.	-Do-
(c) In the year under review, the discount given for the garbage charges and the deductions from the billed income amounting to Rs.11,220 and Rs.7,200 respectively had not been stated in the income and expenditure account.	-Do-	-Do-

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations etc.

Non-compliances with Laws, Rules and Regulations as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Pradeshiya Sabha act no 15 of 1987			
(i) Section 122(1)	Action had not been taken to enact a by law regarding the Pradeshiya Sabha roads.	That the by-laws have been drafted and forwarded to the Commissioner of Local Government for further action.	Action should be taken to enact the by laws.
(ii) Section 102(1) and the Slaughter Ordinance Section 4(1).	It was observed that a slaughterhouse was being run in a private place in Mediyapola area without obtaining a license and a trade license had been issued for the beef shop in that slaughterhouse.	That in the future action will be taken to grant a license as per the provisions of Section 4(1) of the Slaughter Ordinance No. 09 of 1893.	Provisions of the Act should be followed.
(b) Public Cemeteries and Private Cemeteries Ordinance No. 57 of 1946 Section 5(1)	The ownership of 43 cemeteries owned by the council had not been taken over and published in the gazette.	That under the Public and Private Cemeteries Ordinance, it has been forwarded to the Honorable Governor with the relevant documents to declare it as a designated area for burial and cremation.	The ownership should be taken over and published in the Gazette.

- (c) The Local Authorities (Standard By-Laws) Act No. 06 of 1952 published in the Special Gazette No. 1955/7 dated 23rd of February 2016
- (i) Section 04 of the By-Law on Oppressive and Dangerous Businesses According to the survey conducted in the year under review, the receivable license income to the sabha of Rs.202,250 had not been collected from 275 oppressive and dangerous business. That actions have been taken to give trade licenses by operating mobile services. The provisions of the by law should be followed.
- (ii) Section 4(i) of the By-laws regarding parking of three-wheelers The places where three-wheelers should be parked within the sabha area and the maximum number of three-wheelers to be parked at each place should be decided by the council meeting and published in a gazette, but this had not been done. That action will be taken to publish by a gazette in future. The provisions of the by law should be followed.

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 2022 amounted to Rs.15,670,551 as compared with the excess of revenue over recurrent expenditure amounted to Rs.14,909,058 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the Chairman the Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Revenue sours	2022				2021			
	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	Billed revenue	Collected revenue	Total arrears as at 31 st December
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates & tax	1,503,429	1,475,569	1,475,569	-	1,634,360	1,577,010	1,577,010	-
(ii) Rent	1,219,554	1,048,506	1,048,506	31,000	997,125	619,214	619,214	31,000
(iii) License Fees	687,030	677,750	652,030	9,000	695,860	644,860	645,860	16,000
(iv) Other Revenue	19,851,957	24,680,834	26,221,123	13,871,393	17,204,461	20,093,805	20,673,576	14,194,774
Total	23,261,970	27,882,659	29,397,228	13,911,393	20,531,806	22,934,889	23,515,660	14,241,774

2.2.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the sabha are given below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Water Chargers		
The billing of the Mediyapola water project had been suspended since May 2022 due to the disabled of the water motor and the outstanding water chargers of Rs.118,480 had not been recovered.	That action have been taken to conduct mobile services and awareness programs to collect the arrears water charges.	Action should be taken to collect the outstanding water chargers.
(b) Court fine and Stamp Duty.		
Court fines that should have been received from the Chief Secretary of the Central Province and other authorities on 31st of December 2022 were Rs.591,308 and stamp duty were Rs.11,999,077.	That action will be taken to collect in future.	Action should be taken to collect the court fines and stamp duty.

2.3 Surchargers

Audit Observation	Comments of the Sabha	Recommendation
According to the provisions of the Pradeshiya Sabha Act, the surcharges amounting to Rs.32,259 imposed in previous years against the responsible persons had to be recovered by 31 st of December 2022.	That recovery is in progress.	The Surchargers should be collected.

3. Operational Review

3.1 Execution of functions assigned by the Act

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 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
(a) Public Health		
Even though it was informed that the water was un-suitable for drinking of 5 water sources according to the water sample tests conducted in the year 2020, but drinking water had been distributed without purifying and re-testing of the water samples.	As there is a shortage of raw materials, water sample testing will be conducted immediately after receiving the raw materials.	Water samples should be tested and clean drinking water should be issued.
(b) Did not obtained expected output.		
According to Section 3 of the Pradeshiya Sabha Act No. 15 of 1987, the objectives of the Act had not been provided such as crematorium, public toilets, a weekly market and a public market in the council area with public facilities.	That action will be taken to fulfill the deficiencies in future.	The provisions of the act should be followed.

(c) Solid waste management

About 15 tons of garbage is collected in the sabha area every month and the decomposing garbage was disposed of in a ditch in the garbage yard. On 22nd March of the year under review, a shredder worth Rs.1,048,896 and a riddle machine worth Rs.508,896 were obtained from the office of the Deputy Director of Agriculture on the basis of 50 percent contribution for the composed production, but the machine remained unused due to capacity of the shredder was not sufficient. .

That action will be taken to fulfill the deficiencies in future.

A feasibility study should be done to identify the capacity and should purchases.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) GPS computer software had not been used to prepare salaries of 52 permanent staff members of Yatawatta Pradeshiya Sabha.	Action will be taken to prepare the salaries by using GPS computer software.	Salary computer software should be used for processing of salaries.
(b) The total of 4 receivable accounts balances as on the last day of the year under review was Rs.15,110,565.	Action will be taken to collect immediately.	The receivable money should be collected.
(c) The total amount of payable capital creditor balances between 1 year and 5 years as on the last day of the year under review was Rs.999,787.	That will be paid in future.	Action should be taken to settle the payable money.
(d) In accordance with section 12 of the by-laws on inspection of plans for construction of buildings within pradeshiya sabha limits and collection of fees and the Local Authorities Standard By-laws Act published in the Special Gazette of the Democratic Socialist Republic	That the land will be acquired and the receivable amount to the sabha will be collected immediately.	Action should be taken to obtain the land portion.

of Sri Lanka No. 1955/7 dated 23rd of February 2016 a portion of land of 17.92 perches for community and recreational purposes from Kaudupalella Galahitiyawa Walawwatta land and a portion of land of 37.56 perches of Ratalawewa Vatuyayawatta land (Winroy Property Development Private Limited) had not been taken over.

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Deeds or transfer orders had not been obtained for the Dungan Estate land of 6 acres 36.65 perches, which are used for various functions of the sabha and the ownership of 8 plots of land totaling Rs.3,750 had not been taken over.	That the activities necessary to take over will be done in the future.	Action should be taken to take over the ownership of the lands.
(b) According to the fixed assets survey conducted by the sabha in last year 3 plots of land of 29.1 perches belonging to the sabha had been acquired by external parties, but any action had not been taken regarding those land plots.	That settlement and measurement activities will be carried out.	Squatters should be removed and security of lands should be ensured.
(c) As per physical stock verification as on 31 st December of the year under review, There was a shortage of Rs.23,118 the total of 5 water fittings.	That action will be taken to recover from the parties responsible for the shortfall.	Action should be taken to charge from the responsible parties.

3.4 Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
Development of the canal in front of Mr. Yapa's house		
Above mentioned road was built at a cost of Rs.295,917 this road had been washed away by rainwater due to the lack of planning of a proper drainage system and the lack of provision for preparation of proper shoulders.	That action have been taken to prevent the soil washing away from the concrete layer of the road.	The construction related to the existence of the road should be estimated and completed.

3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
There were 5 vacancies in 5 posts as compared of approved carder and the actual carder on 31 st of December 2022.	That the vacancies will be filled.	Action should be taken to fulfill the vacancies.

4. Accountability and Good Governance. Sustainable Development Goals

Audit Observation	Comments of the Sabha	Recommendation
In order to achieve sustainable development goals in the year under review, Rs.4,250,085 has been allocated for 21 expenditure heads but the amount allocated for 7 expenditure heads is Rs.67,205 had been completely remained and 84 percent of Rs.3,518,739 had been remained from the Rs.4,182,880 allocated for 14 expenditure heads, which had not been implemented to achieve sustainable development goals.	That was not possible to spend as much as estimated.	Actions should be taken to achieve sustainable development goals.