

Yakkalamulla Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yakkalamulla Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information 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 the 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 Yakkalamulla Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

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 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 skepticism 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Provincial Council grant amounting to Rs.1,642,255 recievable from the preceding year,and capital grant correction amounting to Rs.2,181,852 receiveble from 2016 to 2021n had been agusted to theincome of the year,where it should be adjusted to excess and deficit account.	Will be correctly accounted in the future.	Should be accounted correctly.
(b) The Tipping Taylor whose auctioned value was Rs.185,000 was debited to the Excess Deficiency account while the capital application should have been debited to the income contribution account while removing it from fixed assets.	- do -	- do -
(c) Expenditure of Rs.222,911 incurred on acquisition of fixed assets during the year under review was not capitalized.	- do -	- do -

- (d) Work grant received in cash for the year under review and previous years amounting to Rs.1,472,560 had been accounted as receivable. - do - - do -

1.6.2 Non reconciled control account or records

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs.105,322 between the balances related to 06 accounting items shown in the financial statements and the balances shown in the related schedules.	Will be corrected in the future.	Action should be taken to rectify after comparing differences.

1.6.3 Lack of Documentary evidence for Audit

Subject	Comment of the Sabha	Recommendation
Necessary detailed schedules for the confirmation of 05 accounting items aggregating to Rs11,295,001 had not been submitted.	Action Will be taken to correct in the future.	Evidence should be submitted to confirm the account balances.

1.7 Non-compliances

1.7.1 Non-compliance with Laws, Rules, Regulation and Management Decisions

Reference to Laws, Rules, Regulation	Non – Compliance	Comment of the Sabha	Recommendation
The Circular No. SS/03/12/05 dated 22 May 2018 of the Chief Secretary of the Southern Province	03 vehicles valued at Rs.2,545,000 owned by the Sabha were in dilapidated condition and had not been disposed.	The further action will be taken after the registration is handed over to the Sabha.	Disposal activities should be done promptly

1.7.2 Unauthorised Transactions

Audit Observation	Comment of the Sabha	Recommendation
The secretary had used the Sabha vehicle to travel between home and office daily without group transport facilities in the year 2023, and had paid Rs.468,008 for its fuel.	In terms of Section 9(3) of the Pradeshiya Sabha Act, it is used for transport facilities.	The action should be taken to minimize the cost.

2. Financial Review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs.20,659,104 as compared with the excess of revenue over recurrent expenditure amounting to Rs.9,863,449 in the preceding year.

2.2 Revenue Administration

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

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Tax	1,335,000	1,698,192	1,584,771	603,310	1,335,000	971,240	848,570	489,889
Rent	6,474,800	6,133,220	6,054,183	434,469	6,809,400	4,904,386	6,376,431	355,432
License Fees	1,671,500	4,227,140	4,227,140	-	444,500	543,506	543,506	-
Other revenue	12,872,000	9,719,673	3,563,452	6,892,681	8,635,000	9,079,007	14,502,202	736,460
	22,353,300	21,778,225	15,429,546	7,930,460	17,223,900	15,498,139	22,270,709	1,581,781

2.2.2 Performance in Revenue Collection

	Audit Observation	Comment of the Sabha	Recommendation
(a)	The total outstanding income was Rs.1,581,781 as at 01 January of the year under review and an outstanding balance of Rs.7,930,460 remained to be collected at the end of the year	Action will be taken to increase the income in the future.	The arrears of income should be collected.

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| (b) | The Sabha had not collected an income of Rs.1,908,957 from 99 hordings. | The arrears will be recovered. | The arrears of income should be collected. |
| (c) | 35 industries that should have obtained an environmental protection license had not obtained environmental protection licenses after paying license fees of Rs.157,500. | Being informed to obtain environmental license. | License should be issued after environmental impact assessment. |

3. Operational Review

3.1 Assets Management

Audit Observation

199 stock items vlued at Rs.35,925 in 07 types of electrical stocks from the year 2000 to the year 2021 remained idle without using in a period time.

Comment of the Sabha

To be used in emergencies

Recommendation

The need should be considered and procured.

3.2 Deficiencies in Contract Administration

Audit Observation

- (a) The District Price Committee has offered a price of Rs.5,500 per hour of JCB machine service for the first half of 2023 for the development of roads, however although JCB machines were used at a price of Rs.6,000 per hour, an overpayment of Rs.323,150 had been done for 646.3 machine hours in 16 works.

Comment of the Sabha

The backhoe machines could not be find for the district committee price of Rs.5,500.

Recommendation

Appropriate rates should be used

- (b) Rs.4,016,600 had been informally paid for 673.5 machine hours based on machine hours without preparing estimates for the volume of work done for the development of roads related to 19 works by Sabha funds.

Billing and payment arrangement had been done for meter hours.

Appropriate rates should be used.