

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of Yatiantota Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of Financial Performance for the year then ended, and the financial statements, including a summary of significant accounting policies, 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 Subsection 172 (1) of the Pradeshiya Sabhas 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 accompanying financial statements give a true and fair view of the financial position of the Yatiantota 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 Standards for Local Governments.

**1.2 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 Sri Lanka Public Sector Accounting Standard for Local Governments, 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 financial reporting process of the Pradeshiya Sabha.

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 to be prepared of the Pradeshiya Sabha.

**1.4 Audit Scope Auditor’s Responsibility for the Audit of the 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 exercise 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 the 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 Pradeshiya Sabha;
- Whether the Pradeshiya Sabha 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 the 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 of the Pradeshiya Sabha presented is consistent with the preceding 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 Council	recommendation
(a)	Where agreement had not been reached for industries amounting to Rs. 953,413 creditors allocations had been made therefor.	That correction will be made.	Accounts should be certified.
(b)	Although agreement for an industry was contracted in the year 2021 but not continued into the year 2023 and allocations had been made as industry creditors and debtors for 02 industries valued at Rs. 1,167,217 for which retention money had been paid.	That correction will be made.	- Do -
(c)	Expenditure of capital nature amounting to Rs. 283,340 had been cut off as recurrent expenditure.	That action would be taken so as not to make these type of mistakes.	-Do -

### 1.6.2 Non-existence of Written Evidence for the Audit

Audit Observation	Comments of the council	Recommendation
Documents had not been presented for 06 account objects totalling to Rs. 294,348,584.	Action would be taken to rectify in the future.	The relevant documents should be presented.

## 1.7 Non-compliance

Non-compliance with Laws, Rules and regulations and Management Decisions.

	Reference to laws, rules and regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Financial Regulations 371(2)(a) as amended by the Public Finance Circular No 01/2020 dated 20 August 2020.	Although ad hoc sub-impres should be settled as soon as the relevant work has been completed, a sum amounting to Rs.55,467 had been settled on 05 occasions with a delay between 04 to 29 days, and a sum amounting to Rs. 421,224 had been settled on 18 occasions of bill settlements with delay between 14 to 40 days.	Not replied.	Action should be taken as per the Circular.

- (b) Section 83(1) of the Urban Development Act No 48 of 1978 of the State Council in the gazette No 2235/54 dated 08 July 2021. Conformity Certificates had not been issued for 44 applications out of the 67 approved applications during the time period from 2021 to 2023. That was a 65 per cent of the received applications as a percentage. Not replied.. Action should be taken as follows.
- (c) Local Governments Reforms Circular Guidelines No 08/2010 dated 24 March 2010. 07 cemeteries located in 06 acres belonging to the Council had not been declared as cemeteries and action had not been taken to get the ownership transferred and to protect the boundaries. Not replied. Action should be taken as per the Circular.

## 2. Financial Review

### 2.1 Financial Result

According to financial statements presented, the revenue that had exceeded the recurrent expenditure of the Council for the year ended 31 December 2023, stood at Rs. 15,889,217 and correspondingly, the revenue that had exceeded the recurrent expenditure of the preceding year stood at Rs. 17,784,468

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Information on the estimated revenue, billed revenue, collected revenue and outstanding revenue related to the year under review and the preceding year as follows as per the information presented by the Council.

	Source of revenue	2023			2022			Total Deficit as at 31 December	
		Estimated revenue	Billed revenue	Collected Revenue	Deficit as at 31 December	Estimated revenue	Billed revenue		Collected Revenue
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i)	Rates and Tax	4,598,013	5,159,810	5,467,151	897,194	4,306,642	4,475,968	4,262,495	1,204,536
(ii)	Rent	10,096,800	11,336,148	11,209,228	191,307	8,479,900	7,874,817	8,417,067	153,951
(iii)	License fees	850,020	1,162,116	1,162,116	-	850,050	957,409	967,009	-
(iv)	Other Revenue	<u>2,550,000</u>	<u>9,149,671</u>	<u>9,952,665</u>	<u>932,617</u>	<u>5,139,700</u>	<u>8,413,354</u>	<u>7,458,054</u>	<u>1,204,735</u>
		<u>18,094,833</u>	<u>26,807,745</u>	<u>27,791,161</u>	<u>2,021,118</u>	<u>18,776,292</u>	<u>21,721,548</u>	<u>21,104,625</u>	<u>2,563,222</u>

### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit observation	Comments of the Council	Recommendation
(a) Assets worth Rs. 600,147 that should be mentioned in the Fixed Assets Register had been mentioned in the Inventory.	Not replied.	Assets should be recorded in the Fixed Assets Register.
(b) Since a certificate was not obtained for the period during which the backhoe machine stood idle, a sum of Rs.143,704 had been paid as revenue license and insurance fees.	Not replied.	A certificate should be obtained for the period that it stood idle.

#### 3.2 Operational Inefficiencies

Audit Observation	Comments of the Council	recommendation
(a) Unauthorised constructions and cultivations had been done on the land in extent of 0.404 received for public purpose.	Not replied.	Unauthorized constructions should not be allowed.
(b) Since the number of applications for which solutions had not been found stood at 136 out of the 188 applications received seeking approval for cutting down dangerous trees during the period from 2021 to 2023, and that represented a high percentage of 72.	Not replied..	Action should be taken to provide required solutions for the applications received seeking approval for cutting down dangerous trees.

#### 3.3 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
(a) 20 vacancies in 09 posts have been in existence from 2014 to 2023. Further, 12 persons had been recruited under service agreements for the post of Work/ field labourer.	- 12 employees had been recruited under service agreement for the vacant posts.	Action should be taken to fill the vacancies
(b) Recruitments had been made under service agreement for 05 vacancies of Health Labourers and two permanent employees had been assigned to serve as drivers.	Employment would be made in a manner that would not go against recruitment objective.	- Do -

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| (c) | Although a person had been appointed for the post of dispenser from December 2023, no training related to dispenser post had been to him. His qualifications only included possession of a Driving License and having a simple pass in G.C.E (Ordinary Level) Art subject. | That while being assigned to undergo the training of the Ayurveda Dispensary duties, they were employed based on the requirement to carry out the duties of tractor driver and the duties of the vacant post of Security Guard. | Duties should not be assigned to persons who are not in possession of required qualifications and those who have been recruited should be assigned with relevant duties. |
| (d) | A outstanding Loan balance of Rs. 112,607 of 25 officers served during the period from 1985 to 2014, had not been recovered even by the end of the year 2023.  | That action would be taken as per the decision of the District Audit Management Committee.  | Outstanding loans should be recovered.   |

### 3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) 02 vehicles worth Rs.1, 298,000 had not been acquired.	Action is being taken to acquire the tractor and trailer.	Ownership of the assets should be clear.
(b) Although 07 vehicles worth Rs. 4,607,500 and a water bowser have been lying idle for a period from 02 to 14 years, no action had been taken to repair or dispose of them. .	Those vehicles needing repairs and disposal have been identified by a Committee and required action is being taken.	Vehicles standing idle should be repaired or disposed of.
(c) In violation of the Sabaragamuwa Provincial Council Treasury Circular No 04/2017 dated 16 August 2017, a sum of Rs. 120,381,900 had been accounted for 07 lands and 20 buildings based on the valuation made by a committee wherein included the Chairman and the Secretary instead of obtaining the Government valuation.	That it will be accounted following obtaining the Government valuation.	Action should be taken as per the Circular.