

Yatawattha Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Yatawattha Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, and other explanatory information 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 sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987 and 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, the financial statements give a true and fair view of the financial position of the Yatawatta Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for opinion

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 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 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 Non- Compliances

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

Non-compliance with Laws, Rules, Regulations and Management Decisions etc. are 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 24	A register of all roads belonging to the Sabha, showing a list of roads and narrow lanes maintained by the Sabha, had not been maintained and updated.	Road surveying has started. Arrangements will be made to prepare the road inventory as soon as it is completed.	Road inventory should be updated and maintained.

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| (ii) | Section 128 | The ownership of 37 cemeteries owned by the Sabha had not been taken over and published in the gazette. | That the necessary arrangements have been made to take over the cemeteries belonging to the government by the Divisional Secretarial office. | Necessary actions to take over should be done. |
| (b) | The Local Authorities (Standard By-Laws) Act No. 06 of 1952 published in the Extra ordinary Gazette No. 1955/7 dated 23 February 2016 | | | |
| (i) | Section 04 of the Bylaws on Oppressive and Dangerous Businesses | According to the survey conducted in the year under review, licenses worth Rs.90,000 was not obtained for 105 oppressive and dangerous business establishments. | The revenue inspector and the subject officer have been informed to arrange to charge trade license fees so that such | A formal survey should be conducted and license fees should be collected properly. |
| | | | problems do not arise in the year 2024. | |
| (ii) | Section 4(i) in 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 park should have been decided by the Sabha and it should have been published in a gazette, but it was not done. | After the re-establishment of the Sabha in the future it will be referred to and published in a gazette. | It should be published through a gazette and arrangements should be made to collect revenue. |

(c) Public administration
Circular

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| (i) | Paragraph 04 of Circular No. 09/2009 dated 16 April 2009 | A fingerprint machine was not used to record the arrival and departure of officers. | Under the procurement guidelines, the bidding process is being carried out to purchase a new fingerprint machine. | It should be complied with Circular provisions |
| (ii) | Paragraph 02(a) of Circular No. 21/2013 dated 07 October 2013 | Holiday pays of Rs.7,411 was paid to 4 officers for 6 uncompleted holidays of 8 hours | In future, holiday pay will be dealt with as per this circular. | It should be complied with Circular provisions |
| (iii) | Paragraph 3.1 of Circular No. 30/2016 dated 29 December 2016 | The test of the fuel combustion of 09 vehicles belonging to the Sabha had not been done within a period of 1 to 4 years. | The necessary arrangements will be made to carry out the fuel combustion test for 09 vehicles promptly. | It should be complied with Circular provisions. |

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 2023 amounted to Rs.13,791,667 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 15,670,551 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 Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023			Arrears as at 31 December	2022			Arrears as at 31 December
	Estimated Revenue	Revenue billed	Revenue Collected		Estimated Revenue	Revenue billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,158,180	1,099,930	1,099,930	-	1,503,429	1,475,569	1,475,569	-
(ii) Rent	1,345,777	1,148,251	1,131,119	48,132	1,219,554	1,048,506	1,048,506	31,000
(iii) License Fees	923,748	936,468	936,468	-	687,030	677,750	652,030	9,000
(iv) Other revenue water	1,688,305	1,780,585	1,697,420	408,385	1,599,730	1,651,440	1,692,390	325,220
Total	5,116,010	4,965,234	4,864,937	456,517	5,009,743	4,853,265	4,868,495	365,220

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
<p>Water charges</p> <p>Water charges of Rs.101,845 for 58 units as on December 31 of the year under review of the currently inactive Mediyapola water project run by the Sabha had not been recovered.</p>	<p>As on 31 March 2024, Rs.35,690 have been recovered. Mobile services are conducted every month to recover the arrears, and the revenue inspector of the sabha collects the arrears in the field as well.</p>	<p>Receivables should be recovered.</p>

2.3 Surcharges

Audit Observation	Comments of the Sabha	Recommendation
<p>According to the provisions of the Pradeshiya Sabha Act, the surcharge of Rs. 32,259 levied against the responsible persons in previous years had not been collected by December 31 of the year under review.</p>	<p>A letter has been sent to the Local Government Commissioner, by inquiring about the current situation, but no reply has been received so far.</p>	<p>Arrangements should be made to recover surcharges.</p>

3. Operational Review

3.1 Fulfillment 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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Comments of the Sabha	Recommendation
Without paying attention to establishing a crematorium, a public toilet, an Ayurvedic center and a public market, the recurrent income of Rs. 75,060,301 of the Sabha had been invested in 06 fixed deposits and a savings account.	A huge cost will be incurred for the construction of the crematorium, and work will be done to build a public toilet in the future.	Action should be taken to fulfil the needs of the public.

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) While the Divisional Secretarial office has not released the retention amount of Rs. 106,710 due to the project of construction of the hall of the Yatawatta Pradeshiya Sabha building in the year 2014, not being built at the designated place as per the estimate, the retention amount of Rs.106,710 paid by the sabha to the development projects creditors in the year 2016 was an additional expense to the Sabha fund.	An investigation F.R.104(3) will be conducted.	The responsible parties should take action to recover the relevant money.
(b) The total of 04 accounts receivable balances at the end of the year under review was Rs.456,517. Therein, the total amount between the period of 1 year to 5 years of Rs.138,340 and the value of the account balances that exceeded a period of 5 years of Rs.31,000 had not been recovered.	Actions are being taken to recover.	Action should be taken to recover. .

3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
<p>Although the license period of 40 building development permits issued by the Sabha had elapsed, as of December 31 of the year under review, no action had been taken to extend the validity period of the development permit or provide conformity certificates for it if settled, and no follow-up had been done in this regard.</p>	<p>The Technical Officers have been instructed to follow up on expired Development Permits.</p>	<p>Arrangements should be made to inspect the relevant activities and issue conformity certificates or follow formal procedures.</p>

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Sabha	Recommendation
<p>The biogas unit set up on March 19, 2018 at a cost of Rs.100,000 remained idle as on December 31 of the year under review.</p>	<p>It is recommended that removal of this biogas unit is appropriate.</p>	<p>Arrange should be made to repair and reuse or dispose of.</p>