

Yatinuwara pradeshiya sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yatinuwara pradeshiya sabha including the financial statements for the year ended 31st December 2023 comprising the Balance sheet as at 31st December 2023, Income and Expenditure account, 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 and with the provisions of the National Audit Act No.19 of 2018 read in conjunction with sub section 172(1) the 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 Yatinuwara pradeshiya sabha as at 31st December 2023, 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 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 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) Due to the fact that 02 tables of Rs.57,348 which were purchased during the year under review were stated as Rs.573,348 in the accounts, the furniture and equipment had been accounted by Rs.516,000 more.	That will be corrected in year 2024.	Correct accounts should be Prepared.

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| (b) | Although the advertisement board income for the year under review was Rs.1,451,575, it had been accounted as Rs.1,218,195, and which was Rs.233,380 less. | -Do- | The income should be accounted correctly. |
| (c) | As per schedule the court fine income for the year under review was Rs.3,476,079 but due to accounting as Rs.3,004,565, and which had been less accounted by Rs.471,514. | -Do- | Differences should be identified and accounts should be corrected. |

1.6.2 Unreconciled Control Accounts or Records

Subject	Comments of the Sabha	Recommendation
Although the receivable assessments tax balance as at the last day of the year under review was Rs.4,283,054 according to the software, the balance due according to the assessments tax account was Rs.3,754,626, a discrepancy of Rs.528,428 was observed.	That will be corrected in future.	Discrepancies should be identified and accounts should be corrected

1.6.3 Unauthorized transactions

Description of unauthorized transactions	Comments of the Sabha	Recommendation
Without obtain formal approval 52 debtor balances of Rs.3,254,528 as at 31 st December last year had been written off	It is accepted that this is an error, and that actions are being taken to obtain the approval of the Minister in charge.	Action should be taken to approval.

1.6.4 Non available of written evidence for audit

Audit Observation	Comments of the Sabha	Recommendation
The total amount of Rs.3,910,346 stated in the financial statements could not be satisfactorily verified in the audit due to non-submission of documents and schedules of 02 asset items.	Further information regarding debtor balances will be sought and appropriate action will be taken.	Documents to prove account balances, Schedules should be maintained accurately.

1.7 Non- Compliances

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

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) Urban Development (Amendment) Act No.41 of 1978 published in Gazette No.2235/54 dated 08th July 2021			
Part III	Near the main road of Colombo, Peradeniya a person was damaging the Mahaweli reserve without obtaining approval but the sabha had not taken any action.	The construction plan has been submitted for approval by the land owner and has been referred to the Road Development Authority and Mahaweli Development Authority for a preliminary planning decision to determine whether an on-site	The provisions of the act should be followed.

inspection is possible and formal approval can be given for the construction work.

(b) Pradeshiya Sabha (Financial and Administrative) Rules in 1988

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| (i) | Rule No 29 | During the period from 04 th October of the previous year to 31 st January of the reviewed year in 49 times money of Rs.3,681,882 had been banked with a delay of 01 days to 62 days. | That actions will be taken according to the future reports of the team of Local Government Investigations. | The provisions of the Act and instructions of the circular should be followed |
| (ii) | Rule No 59 | The trade license survey had not conducted for the year under review. | That the survey is currently being conducted. | Surveys should be done and trade license fees should be charged. |

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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| F R 571(3) | Deposits of Rs.7,220,171 for the period of 11 years related to 222 overdue cases had not been settled. | That the letters will be sent to relevant payees of over 02 years to collect the balances to the government revenue. | Financial Regulations should be followed. |
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| (d) | Sections 4.1 and 4.1.1 of Chapter XIV of Part I of | Pursuant to a requirement that the efficiency bar tests of public officials should be fulfilled | Further work will be done regarding these payments. | The instructions of the Establishment |
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the Establishment Code personally 16 officers who participated in the official language proficiency course had been paid travelling expenses and combined allowances of Rs.126,150.

code and circulars should be followed.

- (e) The By-law of 1952 published in Gazette No. 2052 dated 29th December 2017 regarding advertisement boards
- The advertisement boards fees amounting to Rs.351,080 had not been collected from 72 advertisement boards during the year under review.
- If this money is not paid immediately, the advertisement boards will be removed.
- Surveys should be conducted annually and fees should be collected on time.

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 2023 amounted to Rs.97,582,139 as compared with the excess of revenue over recurrent expenditure amounted to Rs.64,033,946 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 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 sources	Estimated revenue (Rs)	Billed revenue (Rs)	2023		Total arrear as at 31 st December (Rs)	Estimated revenue (Rs)	2022		Total arrears as at 31 st December (Rs)
			Collected revenue (Rs)				Billed revenue (Rs)	Collected revenue (Rs)	
(i) Rates & Tax	3,468,000	3,711,599	4,801,001	3,806,125	3,467,800	3,714,234	3,508,330	4,895,528	
(ii) Rent income	1,500,000	1,163,355	548,580	1,400,205	1,300,000	1,051,100	269,170	785,430	
(iii) License Fees	5,405,000	4,225,144	4,225,144	--	2,548,000	2,170,513	2,170,513	--	
(iv) Other Revenue	76,500,000	65,629,145	19,232,229	143,886,548	85,350,200	87,245,363	81,142,699	97,489,632	
Total	86,873,000	74,729,243	28,806,954	149,092,879	92,666,000	94,181,210	87,090,712	103,170,590	

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) The arrears from all sources of income as at 31 st December of last year was Rs.103,170,100, and as at the last day of the year under review the arrears was Rs.149,092,879, an increase from 48 percent.	That action are being taken to reduce the arrears.	Action should be taken to collect the arrears income.
(b) Rates		
(i) The arrears of rates units is Rs.556,183 from 82 rates properties between Rs.5,000 and Rs.10,000, arrears of rates units is Rs.563,919 from 32 rates properties between Rs.10,000 and Rs.50,000, and 04 rates properties above Rs.50,000 a total amount of Rs.312,268 remained outstanding. According to Section 158(1) of the pradeshिया sabha Act had not been taken to collect these arrears of rates.	According to the section 158(1) of the Pradeshिया sabha Act to implement a property seizure program for defaulters.	Arrears rates tax should be collected.
(ii) As on 30 th October of the year under review, outstanding rates amounting to Rs.485,250 had not been collected from 11 rates units of 05 government institutions that have been in existence for more than 05 years.	That related activities will be carried out to collect the money as soon as possible	Arrears rates tax should be collected.
(c) Rent		
the amount of stall rent receivable as on 31 December in the year under review was Rs.1,400,205 and out of which the outstanding stall rent between 01 and 05 years was Rs.682,775 and the stall rent	That arrears will be collected as soon as possible.	The stall rent should be collected timely.

receivable for more than 05 years was Rs.115,030.

(d) Three Wheeler Chargers

According to the provisions of the by-laws regarding the parking of taxi vehicles published in the Special Gazette No.2196/50 on 09th October 2020, at the end of the year under review, arrears of Rs.237,600 had not been collected for 297 three-wheelers.

Ownership of the parking spaces does not belong to of Yatinuwara P.S. and that it is not possible to take legal action to recover the arrears as it.

The arrears of Three Wheeler chargers should be collected.

(e) Court fines and stamp duty

Court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31st December of the year under review were Rs.918,524 and stamp duty were Rs.142,211,178.

That action will be taken to get the money as soon as possible.

Outstanding revenue should be collected.

3. Operational Review

3.1 Performance 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
(a) The laboratory testing was not done for the sabha water projects and only bacterial testing was done during the year under review. According to the test reports, quality drinking water was not distributed as the amount of bacteria in 04 water projects was above the standard.	In this regard, it is recommended to investigate further and check the possibility of improving the water sources.	Action should be taken to distribute the cleaned drinking water.

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| (b) | According to Sections 93 to 95 of the Pradeshiya sabha Act No.15 of 1987, transportation of excrement and waste treatment is to be done by the Pradeshiya sabha, but action had not been taken to procure a gully bowser and start a sewage treatment unit. | Based on the needs of the public the Municipal Council and other local government bodies will be contacted to start such a project. | The functions specified in the Act must be performed. |
| (c) | According to Sections 85 (b) and (c) of the Pradeshiya sabha Act, public toilets should be provided and maintained in proper condition in all places where the public hangs out, although there were 04 public toilets in the sabha area but they were in a condition that could not be used. | Such a project will be started that if such a request is presented in the future based on the needs of the public. | The provisions of the act should be followed. |

3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Although the Poththapitiya multi-purpose building assigned to the sabha was leased to the Poththapitiya Police Station for a monthly sum of Rs.46,200 for 03 years from 25 th June 2021 to 25 th December of the year under review, on lease basis, arrears rent Rs.1,386,000 had not been collected.	Letters have been sent continuously to recover the arrears and so far 3 months arrears amounting of Rs.96,000 have been paid.	Leased property should be contracted and tax should be collected on time
(b) The total of 02 receivable accounts balances as on the last day of the year under review was Rs.3,919,247. Even though the balances had exceeded 05 years, they had not been recovered.	Paying attention on the receivable accounts and collecting them	Receivables should be collected.
(c) The total of 02 payable accounts balances as on the last day of the year under review was Rs.83,056,441. From that the total of the period between 01 and 05 years was	The information will be correctly investigated and corrected in final accounts of the next year.	Payable account balances should be settled.

Rs.14,532,843 and the value of the account balances that exceeded a period of 05 years of Rs.5,863,537 had not been settled.

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| (d) | Although the organic fertilizer sales revenue for the year under review was estimated at Rs.1,000,000, and the sales revenue earned during the year was Rs.5,275. | There are problems in marketing the produced organic fertilizers as expected due to the decrease in demand for organic fertilizers due to the import of chemical fertilizers, | Plans should be made to market the produced fertilizers |
| (e) | The registered cab received as a donation from the Chief Secretary's Office in the year 2005 had not been valued and not shown in the accounts. | That will be corrected in year 2024 | The donations should be accounted. |

3.3 Ideal or Under Utilized Property, plants and Equipment

Audit Observation

Comments of the Sabha

Recommendation

The 06 vehicles owned by the sabha worth Rs.7,859,602, a vehicle since 17 years, 04 vehicles since 07 years, and a vehicle since 04 years has been idle and underutilized.

That one vehicle will be given to the Gampola Urban Council, 03 vehicles will be auctioned and 03 vehicles will be repaired.

The relevant measures should be completed immediately

3.4 Assets Management

Audit Observation

Comments of the Sabha

Recommendation

- (a) Yatinuwara Pradeshiya Sabha has paid Rs.2,719,000 to the Survey Department and Yatinuwara Divisional Secretariat to take over the ownership of 04 assets to the pradeshiya sabha but the sabha has not taken over the ownership of those assets.

That the activities related to takeovers are being carried out

Action should be taken to take over the ownership of the assets.

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| (b) The sabha had not taken over the ownership of 34 plots of land used by the sabha. | That field investigations have been conducted and preliminary work done for land acquisition | Action should be taken to take over the ownership of the lands. |
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3.5 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
(a) Comparing the approved and actual carder there were 20 vacancies in 09 posts and 29 excess in one post.	That the employees were recruited on the relief basis for the vacancies and the service requirements were met, and that active service was obtained by assigning duties to the excess employees.	Action should be taken to complete the vacancies.
(b) Debt balances Rs.956,934 from 06 vacated of post, retired and deceased officers had not been collected for a period of 12 years from 01 year.	Will be charged in the future	The action should be taken to collect receivable employee loans to sabha.