

Yatyanthota Pradeshiya Sabha – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yatyanthota Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and Statement of financial performance, Statement of changes in net assets / equity, 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, 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 Yatyanthota Pradeshiya Sabha as at 31 December 2024, 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

I expressed qualified opinion on the financial statement based 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 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 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 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 Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Since the value of 05 buildings included in the fixed assets register, amounting to Rs. 23,511,833, had not been capitalized, Non-Current Assets and Contribution from Revenue to Capital Outlay Account had been understated by that amount.	That the information will be analysed and reported promptly.	Capital expenditure must be accounted in correctly.
(b) Due to the fact that Rs. 1,019,513, the 1 percent tax received on 3 occasions in the years 2021 and 2023 for land subdivision, was not included in revenue and was retained in general deposits at the end of the year under review, the current liabilities were shown higher by that amount and the accumulated fund was shown lower by the same amount.	This money will be taken as income after the land plots are sold.	The relevant tax receipts must be accounted for correctly.
(c) The Contribution from Revenue to Capital Outlay Account was not included in the statement of changes in equity.	It was noted to be investigated and action taken.	statement of changes in equity must be prepared correctly.

1.6.2 Unreconciled Control Accounts

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs. 157,635,326 between the value of lands and buildings as per the financial statements and the value as per the fixed assets register.	That will be working to correct.	The difference must be identified and corrected..

1.7 Non- Compliances

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	The Democratic Socialist Republic of Sri Lanka Financial Regulations 571	31 deposit balances of Rs. 557,827, which were over 02 years, had not been settled.	That work will be done to resolve the matter in the future.	Financial regulations must be followed.
(b)	Public Finance Circular No. 02/2020 dated 28 August 2020	Although the procurement plan for the coming year should be prepared before December 10 of the current year and a copy thereof should be forwarded to the Auditor General, the procurement plan for the year 2024 was not submitted to the audit by February 2025.	That it will be presented properly from next year.	Action should be taken as per the circular.
(c)	Treasury Circular No. 05/2020 dated 02 October 2020	No steps had been taken to repair or dispose of 06 vehicles that had been unusable for a long time.	Further work is underway to repair 02 vehicles and auction 03 vehicles.	Action should be taken as per the circular.

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 2024 amounted to Rs. 33,383,613 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 15,889,217 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 submitted by the Secretary, the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Source of Revenue	2024				2023			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,827,953	4,537,109	4,488,154	946,150	4,598,013	5,159,810	5,467,152	897,194
Rent	12,879,491	11,745,570	11,595,489	341,389	10,096,800	11,336,148	11,209,228	191,308
License fees	1,027,293	1,670,016	1,670,016	-	850,000	1,162,117	1,162,117	-
Other Revenue	<u>5,100,000</u>	<u>7,160,714</u>	<u>7,034,077</u>	<u>1,059,255</u>	<u>2,550,000</u>	<u>9,149,671</u>	<u>9,952,665</u>	<u>932,618</u>
	<u>23,834,737</u>	<u>25,113,409</u>	<u>24,787,736</u>	<u>2,346,794</u>	<u>18,094,813</u>	<u>26,807,746</u>	<u>27,791,162</u>	<u>2,021,120</u>

3. Operational Review

3.1 Performing of Functions Enacted 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.

3.1.1 Failure to reach expected outcome

Audit Observation

09 industries with an estimated work value of Rs. 4,970,000 had not been implemented during the year under review.

Comments of the Council

There were problems in procuring raw materials due to insufficient funding approved for one project, heavy rains during the implementation of the remaining projects, and the need to complete a large number of other projects.

Recommendation

Action should be taken to implement planned development projects effectively.

3.2 Management Inefficiencies

Audit Observation

The compensation amount of Rs. 305,048 recovered for income and losses damage incurred in the year under review, Rs. 201,048 recovered in excess allowances paid in the previous year and Rs. 196,000 recovered in the years 2023 and 2024 for the allocation of the stadium had not been settled and were still retain in the general deposit account at the end of the year under review.

Comments of the Council

That will be working to resolve the matter.

Recommendation

Action should be taken to settle the balance in the deposit account.

3.3 Idle Assets

Audit Observation	Comments of the Council	Recommendation
The road cleaning machine, which was donated in September 2019, had been unused and idle since the day it was received.	Letters have been sent to the Executive Director of the Development Design and Machinery Authority to obtain a technical report.	Assets should be utilized effectively.

3.4 Assets Management

Audit Observation	Comments of the Council	Recommendation
Two trailers owned by the Pradeshiya Sabha with an assessed value of Rs. 539,000 had not been put into operation due to the have not registration certificates or registration numbers, although they were in a usable condition. Furthermore, those two trailers had not been included in the assets register.	That step will be taken to amend documents and obtain registration certificates.	The relevant assets must be included in the documents, registration certificates must be obtained, and they must be put into driving.

3.5 Human Resources Management

Audit Observation	Comments of the Council	Recommendation
Staff loan amounting to Rs. 92,739 due from 19 employees relating to the period from 1991 to 2014 had not been settled during the year under review.	The Assistant Local Government Commissioner's Office has initiated F.R.104 investigation to determine those responsible in this regard.	Investigations should be expedited and steps should be taken to settle the loan.