

Mulatiyana Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mulatiyana 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 operation, statement of changes in net assets, 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 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 presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Mulatiyana 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 Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 this 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 financial reporting process of the Pradeshiya Sabha.

As per Sub-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.

1.4 Auditor's Responsibility in Auditing 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 skepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated 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 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 timeframes and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- (a) The Financial Statements presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.

- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by 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	Comment of the Sabha	Recommendation
An income of Rs. 433,517 had not been accounted as the receivable income, and the miscellaneous stock had been accounted short of Rs.141,591 overstating the balance of 09 miscellaneous stock items by Rs.10,272 and understating the balance of 40 items by Rs.151,863.	The actions will be taken to rectify in future.	Accounting should be done correctly.

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
There was a difference of Rs. 4,272,150 between the balance of the overdue other revenue account shown in the financial statements and the balance shown in the related subsidiary documents / schedules.	The rectifications will be done in future.	The actions should be taken to correct the accounts by comparing the disparities in respective balances.

1.6.3 Absence of written evidences for the audit

Audit Observation	Comment of the Sabha	Recommendation
03 Account subjects amounting to a total of Rs. 26,896,799 could not be examined satisfactorily in the Audit due to the non-submission of required details.	The actions will be taken to rectify in future.	The evidences that verifies the account balances shown in the financial statement should be presented.

1.7 Non-compliance

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

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Sabha	Recommendation
(a) Section 24 (1) of Pradeshiya Sabha Act No. 15 of 1987	813 roads that had been identified in relation to 13 divisions after the year 2014	The Department of Local Government has informed not to gazette the roads until proper	The proceedings should be made as per the Act.

had not been published by the Gazettes. process is prepared to create a geographical information network of Local Government Authorities.

- (b) Financial Regulation 772(1) of the Democratic Socialist Republic of Sri Lanka The proceedings had not been made as per the Financial Regulations in respect of 43 tyres removed from the use. The actions will be taken in future based on the recommendations of the Finance Committee. The proceedings should be made as per the Financial Regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements submitted, the recurrent income exceeding the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2023 was Rs. 2,258,639 and the corresponding recurrent income exceeding the recurrent expenditure of the previous year was Rs. 155,125.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue 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.)
(i) Rates and Taxes	1,891,205	1,535,109	1,564,833	43,420	1,492,200	22,889	44,354	73,144
(ii) Rents	8,923,500	7,215,922	7,553,006	428,157	12,459,200	3,288,425	4,042,085	765,241
(iii) License Fees	592,050	595,161	555,161	59,450	540,200	1,508,342	1,571,342	19,450
(iv) Other income	8,784,605	5,606,409	1,087,617	5,290,844	12,668,000	900,713	389,278	772,052
	----- 20,191,360 =====	----- 14,952,601 =====	----- 10,760,617 =====	----- 5,821,871 =====	----- 27,159,600 =====	----- 5,720,369 =====	----- 6,047,059 =====	----- 1,629,887 =====

2.2.2 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Even if 04 divisions identified as developed areas in accordance with Section 134 (1) of Pradeshiya Sabha Act No.15 of 1987 had been published by the gazette notification, the Pradeshiya Sabha had not taken actions to collect the assessment taxes from those areas.	The matter has been presented for the approval of the Governor to assess the rates.	The proceedings should be made as per the Act.
(b) The provisions related to the collection of entertainment tax from the shows held within the Pradeshiya Sabha area according to Section 2 of the Entertainment Tax Ordinance No. 12 of 1946 had not been published in the Gazette, and the entertainment tax had not been formally collected for the carnival and musical show held at the Deiyardara Bus Stand in the year under review.	Since the entertainment tax had not been imposed by Mulatiyana Pradeshiya Sabha at the time of the carnival and musical show, it was difficult to collect the tax.	The proceedings should be made as per the Act.
(c) 60 out of 70 shop rooms owned by the Pradeshiya Sabha had been leased, and the shop rent of Rs. 407,037 were to be recovered from 18 lessees. Further, the said overdue balance included the shop rents of Rs. 318,850 that had been billed in relation to the period from 2008 – 2013 for 10 shop rooms that had been closed.	Agreed.	The overdue revenues should be collected immediately.
(d) 04 shop rooms of 02 market complex owned by the Pradeshiya Sabha had been sub-leased for other parties outside the provisions of the paragraph 11 of the Circular No. දළඵා/ඵඵාඵකා/2010/01 dated 27 December 2010 issued by the Local Government Commissioner of Southern Province.	The lessees say that no sub-lease has been given to other parties, and the observations have been made as to sub-leases have been given based on the verbal statements only. Also, the lessees are properly paying the monthly rents to the Pradeshiya Sabha.	The proceedings should be made as per the Circular.
(e) 08 shop rooms located in the Pradeshiya Sabha Office Building had been extended forward covering the corridor also without getting permission of the Pradeshiya Sabha, and the constructions had been done outside the plan of the shop complex making an iron floor inside the shop rooms and a stair case to access it.	The approval of the Pradeshiya Sabha had been obtained as per මු.ඵා.ස.(ඵ) 1 dated 21 July 2020.	The proceedings should be made as per the agreement.

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| (f) | The court fines of Rs.904,234 and the stamp duty of Rs.12,440,398 were to be received from the Chief Secretary and the other officers of the Provincial Council. | An amount of Rs. 654,234 from the court fines and a sum of Rs. 5,245,766 from the stamp duty a mounting to Rs. 12,440,398 have already been collected. | The overdue revenues should be collected immediately. |
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3. Operating Review

3.1 Fulfilling the tasks assigned by the Act

The matters observed with regard to the carrying out of the duties that should have been attended to by the Pradeshiya Sabha in the regularization and control of the matters relating to public health, public utility services and public roads and roadways, and in bringing about the public wellbeing, amenities and welfare under section 3 of the Pradeshiya Sabhas Act were as given below.

Audit Observation	Comment of the Sabha	Recommendation
(a) The actions had not been taken to enact by-laws for the following matters as per the section 126 of the Pradeshiya Sabha Act No.15 of 1987 even by 18 January 2024. <ul style="list-style-type: none"> (i) Granting approvals for building plans within the non-urban area and making sub-divisions. (ii) Renting the Auditorium. (iii) Renting the Mulatiyana and Makandura playgrounds owned by the Pradeshiya Sabha. 	By-laws have not been enacted on renting the auditorium and playgrounds, the by-laws were made on approving the building plans and land sub-divisions within the non-urban boundaries and referred to the office of the Assistant Commissioner of Local Government. However, as it has been informed that a by-law is made and given relevant to Matara District, the further proceedings will be done after the receipt of it.	The actions should be done to enact by-laws.
(b) The non-biodegradable waste in a quantity between 01 and 02 tons being collected daily within the Pradeshiya Sabha area had been buried in Danhena land of Deiyandara without taking any action for recycling. Further, the actions had not been taken to obtain the environmental protection license from the Central Environment Authority for the compost project implemented by the Pradeshiya Sabha.	The non-biodegradable materials will be sorted and sent to an institution that does recycling, the other non- biodegradable materials will be used for the landfills, and the steps will be taken to obtain the environmental protection license after making the concrete pad to construct a waste water tank to drain the waste water in the compost yard.	A systematic waste management plan should be implemented.

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Since the roof of 02 market complex owed by the Pradeshiya Sabha was not repaired, 10 shop rooms had been closed without being used.	07 shops in Mulatiyana market complex have been closed due to the feeble condition of its roof and one shop in Makandura market complex has been closed as there was no a buyer.	The repair should be done immediately and the shop rooms should be taken for use.
(b) Even though a period between 03 and 07 years had passed subsequent to the approval of 156 building applications and giving development permits from 2016 to 2020, the compliance certificates had been given only for 43 buildings. That was a 28 percent from the number of building applications approved.	They are making arrangements to get the compliance certificates after informing them to get the compliance certificate for the constructions accomplished in habitable condition, and the actions are taken to send the reminders to the builders who have not proceeded so.	The arrangements should be made to provide the Certificates of Conformity immediately.

3.3 Operational Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) 01 percent fees to be charged as per the Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 for the years 2021, 2022 and 2023 from a hotel located in the Pradeshiya Sabha area and registered at the Tourism Board had been charged with a lack of Rs.22,075.	The fee has been charged in the year 2021 at a rate of 0.5 percent so as not to exceed 01 percent according to the Section 149. As the service charges were exempted in the years 2022 and 2023, a reduction in the fee was shown. However, an amount of Rs.13,359 was charged on 01 April 2024.	The proceedings should be made as per the Act.
(b) The environmental protection license had not been obtained for an oil mill located in the Pradeshiya Sabha area according to the Extraordinary Gazette No. 2264/18 dated 27 January 2022, and even if it had been notified on 12 October 2022 to submit the approved building plan for the issuance of the environmental protection license, the Pradeshiya Sabha had not taken any action regarding the non-submission of the building plan.	The owner of the relevant building will be informed to approve its plan.	The proceedings should be made as per the Gazette Notification.

- (c) The Planning Committee had not given recommendations for providing development permits to 03 out of 06 constructions accomplished or were under construction without obtaining development permits outside the provisions of Section 28(1) of Gazette No. 2235/54 dated 08 July 2021 which contained the planning and development orders/regulations of the Urban Development Authority 2021, and no application had been made to obtain development permits in relation to 03 constructions.
- Those builders have been informed and referred to the land approval process as an initial step, and the legal actions will be taken considering it as unauthorized constructions if they try to avoid it.
- The proceedings should be made as per the Gazette Notification.

3.4 Controversial Transactions

Audit Observation	Comment of the Sabha	Recommendation
An amount of Rs. 101,600 had been paid from the Pradeshiya Sabha fund in terms of providing required transport facilities for 08 officers of the Pradeshiya Sabha in order to attend the 2023 annual conference of the Provincial Public Management Service Officers' Association held at Batticaloa Sarvodaya Center on 29 July 2023 while a legal provision had not been made to pay the private parties for providing transport facilities to the officers participating in a trade union conference.	The payments have been made based on the quotations gained from Matara Railway Station subject to the approval dated 20 June 2023 granted by the Governor of Southern Province.	The proceedings should be made as per the Establishments Code, Financial Regulations and Circulars.

3.5 Deficiencies in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
While the contractors of 04 industries of which the contracts had been estimated at a value of Rs. 99,446,851 and awarded for a contract amount of Rs.20,855,246 did not fulfill the contracts within the agreed contract period giving varied reasons, the constructions were stopped halfway due to other external reasons, and consequently the parts that had been built were being destroyed and the expected objectives could not be achieved. Also, the	Construction activities of Makandura Market Complex, Deiyandara Fish Stall and the Garage of the Pradeshiya Sabha were stopped halfway as the contractors had to face other external problems during the execution of the industries, due to the lack of	The projects should be implemented effectively.

proceedings had not been made to take over the performance bond of the industrialists who did not fulfill the contracts within the agreed contract period.

fuel and raw materials, and as the government did not provide the next year allocations for the industries carried out in 2021, and the Deiyandara market Complex was constructed.

3.6 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
09 employees had been recruited on daily and contract basis and the duties had been assigned to them outside the prescribed duties while the approved cadre for 05 posts belonging to the primary service category had been completed.	The recruitments were done on service requirement subject to the approval of the Local Government Commissioner and the Governor, as well as the duties have been assigned in writing.	The duties related to the post should be assigned.