

Matale Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Matale Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31 December 2023 and Income and Expenditure Account, 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 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, 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 Matale 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

I expressed qualified opinion 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 (1)16 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 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) In the year under review, the income from cremation had been under-accounted for by Rs.50,000.	The relevant corrections will be made in the future.	It should be accounted correctly.
(b) Property loan interest income of Rs.114,035 in the year under review was not accounted for.	Arrangements will be made so that there are no omissions in the future.	Income should be properly accounted for.

1.7 Non- Compliances

1.7.1 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
Circulars			
Section 9 of the Local Government Commissioner's letter No. 1/3/2/3 dated 12 November 2021	A cab repair of Rs. 587,000 which was done in the year under review was not submitted for approval.	Arrangements will be made to get the approvals immediately.	Arrangements should be made to obtain formal approval before the work is carried out.

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. 58,617,757 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 58,303,615 in the preceding year.

2.2 Revenue Administration

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				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	1,349,000	1,248,754	1,167,685	565,808	1,349,000	1,167,566	1,222,488	484,739
(ii) Rent	1,200,000	502,564	500,919	23,500	250,000	334,775	321,120	21,855
(iii) License Fees	3,275,000	2,027,277	2,024,277	5,000	1,200,000	980,996	978,966	2,000
(iv) Other revenue water	8,500,000	9,914,652	10,427,062	3,402,476	4,000,000	7,805,037	8,291,645	3,914,886
Total	14,324,000	13,693,247	14,119,943	3,996,784	6,799,000	10,288,374	10,814,219	4,423,480

2.3 Surchrges

Audit Observation	Comments of the Sabha	Recommendation
According to the provisions of the Pradeshiya Sabha Act, an amount of Rs. 537,018 was to be further recovered as at the end of the year under review, from the surcharges imposed in previous years against the responsible persons	That arrangements will be made to collect the outstanding surcharge amount included in the surcharge notices.	As per the provisions of the Act, arrangements should be made to recover the surcharges

3. Operational Review

3.1 Management inefficiencies

The following observations are made.

Audit Observation	Comments of the Sabha	Recommendation
(a) The sum of 05 accounts receivable balances as on December 31 of the year under review was Rs.38,062,872, out of which the balance of more than 1 year and less than 5 years was Rs.3,382,195 and the balance of more than 5 years was Rs.1,276,232.	That the long-term arrear balances will be written off under formal approvals, and that further arrear balances will be recovered.	Arrangements should be made to recover the arrears of income immediately.
(b) As on December 31 of the year under review, the development project creditor balance was Rs.15,917,739, of which the balance between 1 and 5 years was Rs.2,395,599 and the balance over 5 years was Rs.157,543.	The arrangements are made to settle accounts immediately.	Arrangements should be made to settle accounts payable balances.
(c) Although there were 151 business establishments related to 43 business fields in the business tax register, according to the survey report only 23 business establishments paying business tax were identified, hence, a survey was not conducted to cover all the business establishments in the Sabha area of authority.	In the future, all businesses will be surveyed and that information will be recorded in the survey report.	Surveys should be conducted regularly and reported.
(d) According to the assessment reports of the Valuation department conducted on December 31, 2021, an income of Rs. 1,555,949 had been lost due to non-	The new assessment was received on 20.01.2023 and the new assessment was	Arrangements should be made to collect the due income within the

payment of rent till the end of the reviewed year.

implemented from January 01, 2024.

stipulated time.

- (e) It was observed that the cost of Rs. 45,703 fuel, spent for that purpose was an idle expenditure due to the difficulties in the road used for fuel combustion test of 7 vehicles belonging to the Sabha, and due to the rejection of the test results.

By carrying out a fuel combustion test, the Sabha has been able to maintain the integrity of its duties and responsibilities.

Circular instructions should be followed.

- (f) Advertisements were published in 03 national newspapers in 03 languages to call for quotations for the purchase of school equipment, and due to the fact that the advertisements did not provide enough time for the submission of quotations and the amount of discount that can be obtained is not received properly, by not specifying the quantity to be purchased from each item, It was observed that due to re-calling of quotation on January 26, 2023, an idle cost of Rs.54,855 had to be incurred.

Due to the insufficient time given in the publication of the original newspaper advertisement, re-bids were made to obtain more competitive prices.

Procurement guidelines should be followed.

3.2 Human Resource Management

The following observations are made..

Audit Observation	Comments of the Sabha	Recommendation
(a) At the end of the year under review, there were 15 vacancies in 06 approved staff positions of the Sabha and employees were employed for 04 positions that were not in the approved staff, and no steps had been taken to get those positions approved.	Requests have been made to recruit employees for the approved staff vacancies of the Sabha	Vacancies should be filled immediately for efficient service.
(b) Loan balances totalling Rs.1,759,801 of 10 officers who transferred to, left service and died between 1 and 10 years have not been recovered, and the loan balances of Rs1,390,229 from 7 officers who have been transferred and come, have not been settled.	The employee loan balances will be settled immediately and accounts will be settled.	Arrangements should be made to settle the loan balance.

3.3 Asset Management

Audit Observation	Comments of the Sabha	Recommendation
The ownership of two ambulances received as donations from the Ministry of Health had not been taken over.	The steps will be taken to complete the transfer of ownership immediately.	Actions should be taken to take over the ownership.

4. Accountability and good governance Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget document prepared for the reviewed year, 50 to 100 percent of the estimated income of Rs. 130,935,000 related to 38 revenue subjects was not collected and 50 to 99 percent of the total of Rs. 116,408,940 of the net allocation made for 70 expenditure subjects had been saved. The budget was not used as an effective management control tool due to the fact that the total net allocation of 18,163,000 in 26 expenditure subjects was left unspent.	Due to unavoidable reasons the final targets of the budget have not been met.	The budget should be prepared, in order to forecast the income accurately, and the requirement should be identified and the expenses should be forecasted with due consideration.