

## **Matara Pradeshiya Sabha -2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Matara Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations 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 provisions of the National Audit Act No. 19 of 2018, Sub-Section 172 (1) of 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 Matara Pradeshiya Sabha as at 31 December 2023, 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 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 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 skepticism 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 as , and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha as complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha as
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha as 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 as 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) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

## 1.6 Audit Observations on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) Court fines receivable amounting to Rs.3,986,423, interest on two fixed deposits amounting to Rs.433,333 and also Stamp duties for in respect of the period from May to December had not been accounted.	That will be corrected.	Action should be taken to properly accounted for
(b) Creditor provision was not made for the payable construction expenditure of Rs.146,291 and the construction creditor balance payable in respect of 12 construction had been over-accounted for Rs.117,086.	That will be corrected.	Action should be taken to properly accounted for
(c) Rs.192,256 previously received for 02 heads of income had been accounted as income in the year under review.	That will be corrected.	Action should be taken to properly accounted for
(d) 19 miscellaneous deposit balances amounting to Rs.65,700 settled in the year 2019 had been accounted under miscellaneous deposits.	That will be corrected.	Action should be taken to properly accounted for

### 1.6.2 Non-reconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
According to the financial statements, the outstanding assessment tax balance was	That will be corrected.	The differences in the respective

Rs.9,003,871 and according to the related schedule, the balance was Rs.9,298,187. There was a difference of Rs.294,316.

balances should be compared and the accounts corrected.

### 1.6.3 Documentary Evidences not made available for Audit

Audit Observations	Comments of the Sabha	Recommendation
06 account subjects amounting to a total of Rs.92,014, 759 could not be examined satisfactorily due to the non-submission of required information.	That action will be taken to settled.	Evidence must be submitted to confirm the account balances shown in the Financial statements.

## 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 of year under review amounted to Rs.10 ,957,838 as compared with revenue over recurrent expenditure amounted to Rs.7 ,180, 069 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

		2023				2022			
Source of Revenue		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	15,224,000	10,858,148	11,153,324	9,024,248	9,126,000	5,031,253	4,912,719	9,319,424
ii	Rent	5,589,300	2,704,324	3,124,568	192,156	4,880,100	1,936,974	2,173,620	612,400
ii	License Fees	3,045,100	2,618,633	2,696,433	84,000	4,117,100	1,410,800	1,466,484	161,800
iv	Other revenue	13,147,000	17,673,734	18,749,479	5,523,507	7,698,000	3,015,369	3,292,893	6,599,252
<b>Total</b>		<u>37,005,400</u>	<u>33,854,839</u>	<u>35,723,804</u>	<u>14,823,911</u>	<u>25,821,200=</u>	<u>11,394,396</u>	<u>11,845,716</u>	<u>16,692,876</u>

### 2.2.2 Performance in Revenue Collection

	<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
(a)	At the beginning of the year under review, the outstanding balance of assessment tax was Rs.9,294,946 and in respect of 5352 assessment units, the billings during the year were Rs.4,770,972 and Rs.14,065,918 should have been collected. Due to the total receipts during the year being Rs.5,062,047. At the end of the year, there was an outstanding balance of Rs.9,003,871.	That arrangement is made to recover outstanding balances.	Arrears should be collected as soon as possible.
(b)	Stamp duty of Rs.19,129,617 should have been received from the Chief Secretary of the Provincial Council and other authorities.	That an amount of Rs.13,613,577 has been received so far.	Arrears should be collected as soon as possible.

## 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 Council under Section 3 of the Pradeshiya Sabha Act are shown below.

<b>Audit Observation</b>	<b>Comments of the Sabha</b>	<b>Recommendation</b>
About 02 tons of garbage is collected daily in Matara Pradeshiya Sabha area and a formal waste management project for non-perishable waste recycling had not been implemented even at the end of the year under review.	That the non-perishable waste collection program has been restarted and that the amount of fertilizer produced will be measured based on how the fertilizer is packaged.	A formal waste management system should be introduced and formal document maintenance should be done.

### 3.2 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
On 09 th November 2021, the Matara Pradeshiya Sabha office located in Kumbalgama area was relocated to Kekandura area. Due to not taking action to hand over the old office building to the Sabha and give it on lease basis or to any other party, the building has remained unused for more than 02 years.	As soon as the instructions of the legal officer of the Chief Secretariat Office and the lawyer appearing in the case are received, further work will be done regarding this building.	Action should be made to quickly use the building for productive activities.

### 3.3 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) For 26 out of 91 lots that were sold from the allot land called Ittapitiyawatta in Talpawila, Matara, the outstanding 1 percent fee had not been charged on the difference between the appraised value and the actual sale value.	That they have acted according to the orders of the Urban Development Authority and 1 percent fees have been collected so far	Action should be taken according to the gazette notification.
(b) Navimana North Miriswatta Kale and Sapugasaradeniya land for residential use after obtaining recommendations from the National Building Research Institute, Geology and Mining Bureau, and the Central Environment Authority and had made recommendations related to the development of the land without considering them. As a result for this, the drainage channels were blocked and the mounds were washed away during heavy rains, causing environmental problems and it had affected to the lives of the nearby residents.	That the rend of the land has been temporarily stopped, and that the impact on the residents' lives has reduced.	Action should be done under the approval of the relevant regulatory bodies.
(c) In relation to 18 lands subdivided and sold during the period from 2018 to August 2023, The one percent fee was levied based on the provisional assessed value, but the	That one percent fees are currently being charged.	Action should be taken according to the Act.

Sabha had not been collect the one percent fee due on the difference between the assessed sale value and the actual sale value.

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| <p>(d) Information that a development license had been obtained for 04 buildings which were newly constructed or under construction within the urban area belonging to the jurisdiction of the sabha had not presented in the audit. Also during the construction, the related constructions were done in a way that had not comply with the planning and development orders of the Urban Development Authority.</p> | <p>That permission has been granted for one building and letters have been sent to the owners of the rest of the buildings.</p> | <p>Action should be taken according to the gazette notification.</p> |
| <p>(e) A four-storey commercial building with an area of 619 square meters had been constructed at Pitakoratuwa, Talpawila, Rendagewatta on the Matara-Kekanadura road without complying with the planning and development orders/regulations.</p>   | <p>That action takes to Proceedings to prosecute.</p>   | <p>Action should be taken according to the gazette notification.</p> |

### 3.4 Transactions of Contentious Nature

Audit Observation	Comments of the Sabha	Recommendation
In the year under review, Rs.114,300 was paid from the council fund to an external party for providing transport facilities for the Sabha officers for the annual conference held by the Association of Provincial Management Service Officers.	That the recommendations of the Chief Secretary of the Southern Province and the approval of the Governor have been received.	Action should be taken according to the provision of Establishment Code, Finance Regulation and Circulars.

### 3.5 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
(a) A cover of 22.28 square meters was made by using Aluminum Composite Panel boards and 1x1 inch box bar frames to cover the place where the compost is piled near the hauler machine used to dump fertilizer at the Yakduwa Waste	That in the future, after reaching the required capacity, the fertilizers will be removed and to prevent pile-up, and that	In preparing the estimates attention should be paid to the practical application

Management Center. And Aluminum Composite Panels had not strong enough to cover the compost storage area and resistant to organic matter. Due to the fact that those matters were not paid attention to in the preparation of estimates, the amount of Rs.545,355 was not spent effectively to prepare the cover. the protruding parts will be rearranged.

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| (b) | In the construction of the embankment of the drain of the new entrance of the Matara pradeshiya sabha building, plywood boards were used for shuttering and although the Southern Provincial Engineering Service Office should use the rate of Rs.1,439 introduced under Ct-36 at 22 August 2022 in making payments for that, Instead of that rate, using the rate of Rs.3,394.50 which was introduced by the Southern Provincial Road Development Authority under ST-057 in September 2022 for the preparation of 63.16 square meters of carpentry using second class wood, An amount of Rs.123,509 was overpaid to the contractor at Rs.1,955.50 per square meter. | That the pricing unit of the design is applied as mentioned in the price list of the Provincial Road Development Authority. | Action should be used to most favourable rates |
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### 3.6 Human Resources Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	There had not been formalization of the 26 redundant posts in the cadre plan.	Agreed.	Action should be taken to formalized excess posts of staff.
(b)	14 primary grade workers employed by the Matara Pradeshiya Sabha were assigned duties without assigning the prescribed duties related to the position and for that, in relation to the year under review, Rs.6,271,390 had been spent from the council fund. Furthermore, due to the non-assignment of related duties to the hired workers, the	Assignment of duties as per service requirement.	Action should be taken according to the rules.



public welfare, health and road maintenance activities cannot be carried out properly and the purpose of the recruitment has not been achieved. It is also observed that according to Rule 5 (2) of the Pradeshia Sabha (Finance and Administration) 1988, finance regulations have not been followed.