

Matale pradeshiya sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Matale pradeshiya sabha including the financial statements for the year ended 31 December 2022 comprising the Balance sheet as at 31 December 2022, Income and Expenditure account, significant accounting policies and other explanatory information was carried out, for the year then ended, 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 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 Matale pradeshiya sabha as at 31 December 2022, 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) The sum of Rs.48,366 overtime and allowances of water project employee related to the year under review had not been accounted as an expense of the year.	That has been corrected through journal entries.	The expenditure of the year should be correctly identified and accounted.
(b) Rs.30,000 payable for the rented concrete mixer was not accounted.	-Do-	-Do-
(c) An area of 10 perches worth of Rs.40,000 had been accounted twice.	That will be corrected through journal entries.	The account balances should be corrected.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabha	Recommendation
(a) There was a difference of Rs.2,951,524 between the values stated in the deed of 04 lands owned by the council and the values stated	That has been corrected through journal entries.	The value should be correctly identified and accounted.

in the financial statements.

(b)	The balance of miscellaneous deposits was Rs.14,577,968 according to the deposit account summary (schedule) but it was stated as Rs.14,877,511 in the balance sheet and the difference of Rs.299,543.	-Do-	-Do-
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1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comments of the Sabha	Recommendation
They could not be verified satisfactorily during the audit due to non-submission of the schedules and confirmation letters for an assets head sum of Rs.254,500 and a liability head sum of Rs.22,100 stated in financial statement.	That the necessary documents will be presented.	The necessary documents should be presented.

1.7 Non- Compliances

Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a) The National Audit Act No 19 of 2018 Section 15(3)(c)	The performance report submitted for the year under review did not include information regarding the objectives achieved by the pradeshya sabha, future expectations, key performance indicators and resource utilization.	Action will be taken to use the performance report as a more effective and targeted performance report in the future.	The provisions of the act should be followed.

- (b) Pradeshiya sabha act
no 15 of 1987

Section 127 Although 13 cemeteries That the values of Accounted and
had been identified and its cemeteries be assessed Security should be
security had not been and entered into the ensured.
ensured by making the asset register
boundary fence. Other
cemeteries had not been
assessed and had not been
taken under fixed assets.

- (c) Section IV of The lease agreement That the lease Down payment
Circular No. 2016/3 related to the lease of the agreements for all the amounts should be
dated 17th March stalls should be signed stalls have been duly charged according
2016 of after paying the full down signed by both parties to the instructions
Commissioners of payment amount but they and kept safe. of the circulars.
Local Government in had been agreed with
Central Provinces, lessee without charging
the down payment
amount and the
Rs.298,900 of interest in
the lease of the two stalls
in Palapathwala Public
Market No. 04 and 06.

- (c) Section 3.1 of Public Fuel consumption test had That the fuel Instructions of the
Administration not been done for 07 consumption test will be circular should be
Circular No. 30/2016 vehicles in running done in due time. followed.
dated on 29th of condition owned by the
December 2016. sabha.

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 2022 amounted to Rs.58,303,615 as compared with the excess of revenue over recurrent expenditure amounted to Rs.55,243,576 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 by the Chairman 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	Billed revenue	2022		Estimated revenue	2021		Total arrears as at 31 st December
			Collected revenue	Total arrears as at 31 st December		Billed revenue	Collected revenue	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates tax	1,349,000	1,167,566	1,345,721	560,127	6,151,000	5,595,133	5,462,926	887,245
(ii) Rent income	250,000	334,775	327,320	15,390	1,980,000	432,980	445,985	8,200
(iii) License Fees	1,200,000	980,996	978,996	2,000	2,725,000	1,692,088	1,692,088	-
(iv) Other Revenue	100,322,500	99,193,523	99,619,998	59,349,854	89,163,000	78,734,995	54,173,708	59,859,207
Total	103,121,500	101,676,860	102,272,035	59,927,371	100,019,000	86,455,196	61,774,707	60,754,652

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) Rates and Taxes		
A rates balance of Rs.220,858 had not been recovered as on 31 st December of the year under review from 126 arrears properties of more than Rs.1,000 per unit.	That will be seizure of property and collect the assessment tax.	The provisions of the act should be followed.
(b) Other Income		
Rs.1,150,768 had been outstanding from 6 to 11 years from 344 water consumers of 05 inactive water schemes belonging to the sabha.	Action will be taken to cut off the water charges arrears existing in non-recoverable water schemes.	Arrears should be charged.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total of 3 receivable accounts balances as on the last day of the year under review was Rs.4,607,917.	Action will be taken to written off long-term outstanding balances and other balances will be recovered.	The arrears income should be charged.
(b) The total of 2 payable accounts balances as on the last day of the year under review was Rs.31,313,412.	That the money deposited in the Ministry will be taken and paid to the Contract Society.	Action should be taken to settle the payable balances.
(c) 07 lands amounting of Rs.2,433,600 stated in the financial statements had not been acquired.	Action will be taken to acquire the ownership.	The ownership of lands should be taken over.
(d) The Chairman and two other officers had been paid Rs.2,215,053 the money received from the National Water Supply and Drainage Board for the administrative expenses of road improvement and reconstruction of the Wisal Matale Water Project without an approval and non-presenting of evidences to performed any duty or supervision.	That the information related to payment can be verified from file and documents.	Clear and formal documents should be presented that this water project was supervised.

3.2 Unclaimed assets

Audit Observation	Comments of the Sabha	Recommendation
A formal survey had not been conducted to confirm the amount of cemeteries having the sabha area and the ownership of 13 cemeteries which are currently used for cremation activities had not been taken over.	Action will be taken to identify and take over the cemeteries belonging to sabha.	Action should be taken to hand over.

3.3 Human Resource Management

Audit Observation	Comments of the Sabha	Recommendation
(a) As at the last day of the year under review there were 23 vacancies in 11 positions and 22 excess in 07 positions of the council approved carder.	Requests have been made to recruit employees on permanent basis for the approved carder of the sabha.	Action should be taken to fill the vacancies.
(b) As on 31 st December of the year under review, the loan balance amounting to Rs.1,855,451 had not been settled for a period of 2 to 3½ years from 10 officers who have transferred and left service. Also, the amount of Rs.715,278 recovered from those officers was kept in the general deposit account.	Action will be taken to settle the loan balances and accounts.	Outstanding loan balance should be settled.

4. Accountability and Good Governance.

Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
According to the budget prepared for the year under review, the estimated income and expenditure in comparison with the actual income and expenditure vary from 57 percent to 100 percent of the 56 expenditure heads and from 49 percent to exceeding the 100 percent of 32 income heads. It was observed that budgeting had not been used as an effective management control tool.	That there were some barriers to achieve the revenue targets and cost limits due to the epidemic situation in the country in the reviewed year and previous years.	Income and expenses should be accurately predicted and budget should be prepared.