

Muthur Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Muthur Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Balance Sheet as at 31 December 2023, Income and Expenditure Account, Cash Flow Statement for the year and 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 read in conjunction with the provisions of the National Audit Act No. 19 of 2018 and the 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 accompanying financial statements give a true and fair view of the financial position of the Muthur 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

My opinion is qualified 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:

- 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the 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 1.6.1(a) recommendation made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

The Following Audit observations had been found;

Audit Observations	Comment of the Council	Recommendations
(a) The Solar power instruments had been fixed with an expenditures of Rs.6,812,500 in the review year and accounted as Land and Buildings Account.	The cost of Solar power instruments will be added into the Plant, Machinery and Equipment Account in the coming year	The Proper action should be taken to add the Value of Asset
(b) In the review of year, The Store building constructed at the thoppur sub-office with a sum of Rs. 1,170,000 under the council fund had not been accounted.	The Proper action has been taken for accounting it.	-do-
(c) The expenditure of Rs. 661,100 for the Muthur Cultural hall had not been accounted in the reviewing year.	The Proper action has been taken for accounting it.	-do-

1.6.2 Documentary evidenced not made available for Audit

Audit Observations	Comment of the Council	Recommendation
the Evidences subjected to the 04 Accounts in a cumulative amount Rs. 213,565,064 had not been submitted for audit	The Fixed Asset Register and relevant evidences will be produced in future.	The proper action should be taken to obtain the documents.

1.7 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. are shown below.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the Council	Recommendation
Section 571(1), (2), (3) of Financial Regulation of the Democratic Socialist Republic of Sri Lanka	The council had not been taken action in related to the 75 lapsed deposits an amount of Rs. 2,805,888 lapsed over two year	The Action will be taken to transfer the Revenue Account.	The Action should be taken accelerate to transfer the Revenue Account.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent income over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 29,323,360 against the excess of recurrent expenditure over recurrent income amounted to Rs. 33,728,379 in the preceding year.

2.2 Revenue Administration

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

the details 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	7,510,000	8,347,000	1,200,000	7,147,000	2,336,000	7,247,000	464,000	6,783,000
(ii) Rent Income	28,141,000	35,736,000	20,243,000	15,493,000	35,832,000	40,035,000	26,924,000	13,111,000
(iii) License Fees	2,640,000	1,259,000	1,220,000	39,000	2,879,000	1,193,000	1,154,000	39,000
(iv) Other revenue	2,794,000	1,233,000	827,000	406,000	2,452,000	1,614,000	1,208,000	406,000
Total	<u>41,085,000</u>	<u>46,575,000</u>	<u>23,490,000</u>	<u>23,085,000</u>	<u>43,499,000</u>	<u>50,089,000</u>	<u>29,750,000</u>	<u>20,339,000</u>

2.2.2 Revenue Collection Performance

Following are observations on the performance of all revenue collections of the council.

Audit Observations	Comment of the Council	Recommendation
(a) The Action had not been taken to recover the arrears to rate tax an amount of Rs.7,147,000 in the ended date.	The Action will be taken to recover these arrears in future.	the Proper Action should be taken in according to the Provision of Act
(b) The Action had not been taken to recover the arrears to Rent an amount of Rs.15,493,000 in the ended date.	the Action will be taken to recover these arrears in future.	the Proper Action should be taken in according to the Provision of Act

3. Operational Review

3.1 Management Inefficiency

Audit Observation	Comment of the Council	Recommendation
(a) The Council had been losing approximately an amount of Rs. 1,500,000 in reason of not Reassess the valuation of Market Shops Rent belongs to the council in time to time.	The Actions will be taken reassess and rent the shops in future.	The Actions should be taken for performing the Assessment
(b) The Safe locker had not been used in accordance with financial regulation no: 315 & 316.	The Action will be taken to procure the Safe locker.	The proper action should be taken.

3.2 Performance Inefficiency

Audit Observation	Comment of the Council	Recommendation
The council had not been taken action to recover the fine for not get the building approval within jurisdiction of the Council.	The Action is being taken for issuing the building approval and for recovering the fine for not receives the building approval to constructed buildings.	The Action for issuing the building approval should be accelerated

3.3 Asset Management

3.3.1 Idle Assets

Audit Observations	Comments of the Council	Recommendations
(a) The council had not been taken action to earn the revenue from thoppur Market complex built an amount of Rs. 4,967,426 in 2014.	The Action will be taken to rent the building in future.	The action should be taken to earn the revenue.
(b) The building constructed a sum of Rs.1, 115,226 for implement the Gas project in 2016 were idle more than 07 years.	the building for producing the Gas had not been operated as technology consultation and relevant machineries did not receive	-do-

3.4 Procurement Management

Audit Observation	Comments of the Council	Recommendation
In the review year, The council had been purchased 12 classified items with a sum of Rs. 1,264,218 in the violation of subdivision No 2.8.4 of the Procurement Guideline 2006.	The Action will be taken without making these faults in future.	The Action should be taken in according to the procurement guidelines

3.5 Human Resource Management

Audit Observation	Comments of the Council	Recommendation
The council had not been taken action to fill the librarian job vacancy as there were available 05 vacancies for librarians in the end of review year.	The details of vacancy for librarian had been sent to the Assistant commissioner of Local Government	The Proper Action should be taken.

3.6 Vehicle Utilization

Audit Observation

The Council had not been taken action to construct the Vehicle Parking for increasing the usage period to 29 vehicles using by the Council.

Comments of the Council

The Alternative action had been taken for safe the vehicles

Recommendation

The action should be taken for safe the vehicles

4. Accountability and Good Governance

4.1 Environmental Issue

Audit Observation

Certificate of permit for Environment Protection had not been issued for 15 institutions in term of the National Environment Act No 47 of 1980.

Comments of the Council

The Action has been taken to issue the Certificate of permit for Environment Protection.

Recommendation

The Action should be taken accelerate to issue the Certificate of permit for Environment Protection.