

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Matale Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 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 sub-section 10 (1) of 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 2024, 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 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:

- 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 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 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

<b>Audit Observation</b>	<b>Comments of the Sabah</b>	<b>Recommendation</b>
(a) Interest income of Rs.183,962 in the Sweep savings account deposited with the Bank of Ceylon for the month of December of the year under review had not been accounted for.	It will be corrected in 2025.	Accounts should be prepared correctly.
(b) Although the letter of the Secretary to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government dated 17 <sup>th</sup> May 2024 and bearing No. PL/16/1/6/Cpura) Gen – 4 stated that the total cost of the Palapathwala Multi-purpose Building constructed under the Pura Neguma Project should be included in the Fixed Assets Register as Rs.59,380,000, the cost of the building had been recorded as Rs.41,691,510 then understated by Rs.17,688,490.	Work will be done with due attention to avoid such deviations in the future.	-Do-
(c) The photocopy machine and printer purchased in 2019 and 2020 for a total of Rs. 178,960 had not been accounted for under fixed assets.	It will be corrected in 2025.	-Do-
(d) 02 machines worth Rs.220,806, which were disposed of in previous years, had not been derecognized from the accounts.	-Do-	-Do-

## 1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Sabah	Recommendation
There was a difference of Rs.283,076 between the balances of 3 accounting subjects shown in the financial statements and the balances shown in the relevant schedules.	The entries in the inventory register will be correctly identified and corrected in the 2025 financial statements.	The values in Account balances should be compared with the values in source documents.

## 1.7. Non- Compliances

### Non-compliance with Laws, Rules and Regulations

Non-compliance with Laws, Rules and Regulations are as follows

Reference to Laws, Rules and Regulations	Non Compliance	Comments of the Sabah	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
Section 128	The ownership of 22 plots of land, totalling Rs.4,592,360, used by the Sabha, had not been taken over.	Necessary steps will be taken to take over.	The ownership of lands owned by the Sabha should be taken over.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
F.R. 571(3)	06 lapsed deposit balances totalling Rs. 379,931 for a period of 2 to 3 years had not been settled.	Necessary steps will be taken to settle.	Lapsed deposits should be settled.

## 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 2024 amounted to Rs. 78,991,605 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 58,617,757 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 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	2024				2023			
	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	2,472,000	5,403,689	4,965,622	1,011,102	2,497,000	3,837,378	3,785,638	573,035
(ii) Rent	1,200,000	1,318,737	1,296,587	45,650	1,200,000	1,156,212	1,151,152	23,500
(iii) License Fees	3,175,000	2,131,531	2,217,558	144,945	3,275,000	1,903,783	1,726,853	230,972
(iv) Water & Other revenue	628,751,100	105,044,012	106,034,937	111,891,362	581,194,300	106,622,390	43,719,598	112,882,287
<b>Total</b>	<b>635,598,100</b>	<b>113,897,969</b>	<b>114,514,704</b>	<b>113,093,059</b>	<b>588,166,300</b>	<b>113,519,763</b>	<b>50,383,241</b>	<b>113,709,794</b>

### 2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are as follows

	<b>Audit Observation</b>	<b>Comments of the Sabah</b>	<b>Recommendation</b>
<b>(a) Rates</b>	As on 31st December of the year under review, there was assessment arrears of Rs.994,094. Therein an arrears assessment balance of Rs.687,053 had not been collected from 349 properties with an arrears of more than Rs.1,000 per unit, as per section 158 of the Pradeshiya Sabha Act No. 15 of 1987.	Further actions have been taken to recover the arrears.	The arrears of revenue should be recovered.
<b>(b) Surcharges</b>	Out of the surcharges imposed by me in previous years against the responsible persons, as per the provisions of the Pradeshiya Sabha Act, an amount of Rs. 184,000 was to be further recovered as at the end of the year under review.	This amount has not been collected yet.	Arrears surcharges should be recovered promptly.

### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit Observation	Comments of the Sabah	Recommendation
(a) The construction of the Madawala Ulpatha Library Building had cost Rs.7,308,844 in several stages from the year 2022 to the last day of the year under review. At the time of inspection, the remaining construction work was being carried out at an estimate of Rs.4,000,000, so even though more than 2 years had passed, it had not been possible to use it for the intended purpose.	The construction work will be completed in the future and used to achieve the relevant purpose.	Construction work should be completed promptly and it should be utilized for intended purpose.
(b) Rs. 186,381 collected as widow and orphan's pension contributions from the salary of a watchman in the Sabha, On 05 occasions from 2021 to 2023, had not been remitted to the Pensions Department.	The contributions will be remitted to the relevant fund in the future.	Contributions should be remitted to the Pension Contribution Fund as prescribed.
(c) Although cracks and collapses of plaster were observed on the walls of the building, which was constructed at a cost of Rs. 46,629,525 through the 2021 Pura Neguma project and handed over to the Sabha, in many places on the upper floor, lower floor and the section where the infant and maternity clinics are held, no steps had been taken to repair the relevant building.	Repairs will be carried out.	It should be repaired promptly.
(d) An amount of Rs.168,000, which had been recovered through surcharge certificates issued on 11 occasions from 2018 to the year under review, had been retained in the general deposit account for a period of 6 months to 6 years without being credited to the Sabha fund.	Action will be taken to credit to the Income.	It should be credited to the Sabha fund.

### 3.2 Contract Administration

<b>Audit Observation</b>	<b>Comments of the Sabah</b>	<b>Recommendation</b>
In the year under review, Rs. 1,490,194 was paid to a contractor from the Sabha fund for the concrete construction of a drain measuring 70.86 x .85 x .125 meters, but during the physical inspection on April 01, 2025, Rs. 128,060 was overpaid for two jobs of work that were not completed.	The overpayment will be recovered.	It should be charged responsible parties.

### 3.3 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the Sabah</b>	<b>Recommendation</b>
(a) As of December 31, 2024, there were 29 vacancies in 14 posts and 15 excess in 05 posts.	Written requests have been made to fill employee vacancies.	Vacancies should be filled.
(b) The Sabha had not recovered the outstanding employee loan balance of Rs.359,735 from 13 transferred and officers who left the service for a period of 1 to 19 years.	It will be resolved in the future	The loan balance should be settled.