

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Matara Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial and operational performance, statement of changes in net assets and 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 Sub Section 172 (1) of the Pradeshiya Sabha Act No.15 of 1987 and the Sub Section 10 (1) of the 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 accompanying financial statements give a true and fair view of the statement of financial positions as at 31 December 2024 of the Matara Pradeshiya Sabha, and of its financial performance and its cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 Principles, 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 to be prepared.

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 exercise 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 the 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 Industry;
- 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

The National Audit Act No.19 of 2018 includes 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 all the recommendations made by me in the previous year described in paragraph 1.6 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 Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit observations	Comments of the Council	Recommendation
(a) Creditors for capital expenditure payable at the end of the year under review had been under-accounted by Rs.438,317.	The industry estimate is stated as Rs.494,365, and the bill value is Rs.438,317.	Accurate accounting should be carried out.
(b) The 27 inventory items totalling Rs.432,569 had been accounted under Machinery and Equipment and Furniture and Fitting during the year under review.	It will be corrected in 2025.	Accurate accounting should be carried out.
(c) Capital expenditure totalling Rs.348,000 had been accounted as revenue expenditure.	It will be corrected in 2025.	Capital and revenue expenditure should be identified and accurately accounted.
(d) The 1 percent tax receivable from land auctions during the year under review had been over-accounted by Rs.163,473.	It will be corrected in 2025.	Accurate accounting should be carried out.

1.6.2 Documentary evidences not made available for Audit

Audit observations	Comments of the Council	Recommendation
Due to the failure to submit inventory registers, detailed schedules, and updated fixed asset registers, 4 accounting items totalling Rs.22.71 million could not be satisfactorily examined during the audit.	That the observations are accepted.	Evidence supporting the account balances shown in the financial statements should be submitted to the audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.41.78 million, and correspondingly, the revenue exceeding the recurrent expenditure of the previous year was Rs.10.96 million.

2.2 Revenue Administration

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

According to the information submitted by the Secretary, the following is the information on estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year.

		2024				2023			
	Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessment and Taxes	11,767,200	5,971,839	5,679,143	9,395,993	15,224,000	10,858,148	11,153,324	9,103,297
(ii)	Rent	3,675,600	3,563,334	3,584,234	171,256	5,589,300	2,704,324	3,124,568	192,156
(iii)	License fee	2,735,000	2,715,613	2,700,482	428,512	3,045,100	2,618,633	2,696,433	413,381
(iv)	Other Revenue	25,203,157	22,222,250	22,630,681	5,115,076	13,147,000	17,673,734	18,749,479	5,523,507
		43,380,957	34,473,036	34,594,540	15,110,837	37,005,400	33,854,839	35,723,804	15,232,341

2.2.2 Performance in collecting Revenue

The following are observations regarding the performance of revenue collection in the council.

Audit observations	Comments of the Council	Recommendation
(a) Assessment		
Out of the arrears assessment balance of Rs.9.3 million at the end of the year under review, the arrears balance for more than 05 years in respect of 1441 assessment units was Rs.6.5 million.	That the action will be taken to recover the balance of arrears.	Action should be taken to recover arrears of revenue promptly.
(b) License fees		
A license fee of Rs.428,513 remained in arrears at the end of the year under review.	That the lawsuit has been filed to recover the arrears amount.	Action should be taken to recover arrears of revenue promptly.
(c) Other Income		
The value of court fines and stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities as at the end of the year under review was Rs.7.69 million and Rs.58.76 million respectively.	Stamp duties relating to the year 2023 amounting to Rs.29.406 million have been received.	A system should be developed for the prompt recovery of arrears of revenue.

3. Operational Review

3.1 Performance of functions assigned by the Act

The following are the observations made regarding the performance of the functions that the council was required to perform under Section 3 of the Pradeshiya Sabha Act, namely, to regulate and control matters relating to public health, public utility services and public roads, and to ensure the comfort, convenience and welfare of the people.

Audit observations	Comments of the Council	Recommendation
The permanent and formal system for the disposal of non-biodegradable garbage within the council area of authority was not implemented and the garbage had been piled up in an unused community hall building owned by the council.	The non-perishable garbage collection program has been temporarily suspended and the non-perishable garbage collected at the community hall has been removed.	A formal garbage management system should be implemented.

3.2 Management Inefficiencies

Audit observations	Comments of the Council	Recommendation
Although the council had collected deposits of Rs.4.51 million for 543 road maintenance cases from 2021 to 2024, the road maintenance renovation work had not been carried out.	Although the money deposited for the repair of carpet roads in 2022 and 2023 has been retained, letters have been sent to the Southern Provincial Road Development Authority for the reconstruction of those roads since the council does not have the resources to repair the carpet roads.	The depositors should identify the roads that have not been renovated and the council should use the deposit money to renovate the relevant roads.

3.3 Assets Management

Audit observations	Comments of the Council	Recommendation
Action had not been taken to acquire the legal ownership of 10 lands and 5 cemeteries occupied by the council.	That the observation is accepted.	Action should be taken to acquire legal ownership.

3.4 Human Resource Management

Audit observations	Comments of the Council	Recommendation
According to the staff plan, 25 positions remained surplus in the Council at the end of the year under review	That the observation is accepted.	The staff requirements for the council should review and take appropriate action accordingly.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit observations	Comments of the Council	Recommendation
The 29 development proposals totalling Rs.19.85 million included in the budget for the year under review had not been implemented during the year.	That the observation is accepted.	Action should be taken to implement the development proposals included in the budget and the budget document should be prepared as a practical and implementable document.