

Mulatiyana Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mulatiyana Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, statement of financial 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 Mulatiyana 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 Pradeshhiya 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) Receivables of Rs.411,972 for the construction of the Makandura Shopping Complex during the year under review had been over-accounted under capital debtors.	That the action will be taken to correct it in 2025.	Accurate accounting should be done.
(b) The balance of creditors had been overstated by Rs.268,560 during the year under review.	That the over-accounted creditor balances were identified.	Action should be taken to correct the accounting under sundry creditors.

1.6.2 Un-reconciled Control Accounts

Audit observations	Comments of the Council	Recommendation
There was a difference of Rs.4.55 million between the balance shown in the arrears other income account according to the financial statements and the total balance in the relevant schedules.	That will be corrected in the future.	Action should be taken to compare and correct the differences in the relevant balances.

1.6.3 Documentary evidences not made available for Audit

Audit observations	Comments of the Council	Recommendation
Due to the failure to submit the fixed asset register and detailed schedules, 04 accounting items totaling Rs.4.76 million could not be satisfactorily examined during the audit.	It will be checked the information and action will be taken to correct it in the future.	Evidence supporting the account balances shown in the financial statements should be submitted to the audit.

1.7 Non-Compliance

1.7.1 Non- Compliance with Laws, Rules, Regulation and Management Decisions

The following are the non-compliance with laws, rules, regulations and management decisions.

Reference to the Laws, Rules and Regulation etc.	Non-Compliance	Comments of the Council	Recommendation
Section 132(a) of the Pradeshiya Sabha Act No. 15 of 1987	The prior approval of the Governor had not been obtained for the Rs.206,611 incurred by the Council for the outreach training program for all officers and employees of the Council.	Rs.600,000 had been allocated from the 2024 budget for the Outreach Training Program. Out of this amount, approval of the Governor was not obtained for Rs.206,611.	Approval should be obtained in accordance with the provisions of the Act.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent income exceeding the recurrent expenditure of the Council for the year ended 31 December of the year under review was Rs.7.20 million, and correspondingly, the recurrent income exceeding the recurrent expenditure of the previous year was Rs.2.26 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	1,772,915	1,315,304	1,319,304	39,420	1,891,205	1,535,109	1,564,833	43,420
(ii)	Rent	10,484,650	7,723,334	8,073,402	78,089	8,923,500	7,215,922	7,553,006	428,157
(iii)	License fee	600,050	675,177	724,177	10,450	592,050	595,161	555,161	59,450
(iv)	Other Revenue	6,045,388	7,720,005	13,010,849	-	8,784,605	5,606,409	1,087,617	5,290,844
		18,903,003	17,433,820	23,127,732	127,959	20,191,360	14,952,601	10,760,617	5,821,871

2.2.2 Performance in collecting Revenue

The following are observations regarding the performance of revenue collection of the Council.

Audit observations	Comments of the Council	Recommendation
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Other Revenue

As of December 31 of the year under review, court fines of Rs.1.36 million and stamp duty of Rs.14 million should have been collected from the Chief Secretary of the Provincial Council and other officers.

Court fines of Rs.821,867 and stamp duty of Rs.8.19 million have been received.

Action should be taken to recover arrears of revenue promptly.

3. Operational Review

3.1 Performance of functions assigned by the Act

The following is a fact observed regarding the performance of the functions that the Council was supposed 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
Between 1 and 2 tons of garbage are collected daily within the Council area of authority, and a sustainable and systematic garbage management project had not been initiated to direct non-biodegradable garbage for recycling.	That there are no facilities to recycle garbage, and once the Council receives the necessary facilities, Action can be taken to recycle.	A formal garbage management plan should be implemented.

3.2 Management Inefficiencies

Audit observations	Comments of the Council	Recommendation
(a) The 07 stalls in the public shopping mall owned by the Council had been closed due to non-repair of the roof.	It has not been possible to commence repair work as provisions have not been provided for the renovation of the roof of the shopping mall.	Action should be taken to properly repair the stalls and maintain them in a way that allows them to generate income.
(b) Although between 3 and 7 years had passed since 160 building development permits were issued from 2017 to 2021, management attention had not been paid attention to the fact that, certificates of compliance had been issued to only 38 of these buildings.	It has been reported that people have been informed to obtain a certificate of compliance, even some people was taken action to obtain the certificate of compliance, there are also those who have not obtained a certificate of conformity because more than five years have passed since the building plan was approved.	Certificate of compliance should be issued to those who can provide by following-up.

3.3 Human Resource Management

Audit observations	Comments of the Council	Recommendation
According to the staff plan, 43 positions remained surplus in the Council at the end of the year under review.	Further action will be carried out according to the decision of the Department of Local Government.	A review of the staff requirements for the Council should be conducted and appropriate action should be taken accordingly.