Mutur Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mutur 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 Mutur Pradeshiya Sabha as at 31 December 2024, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

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 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 determines 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 Pradeshiy Sabha's financial reporting process.

As per Section 16(1) of 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 of the Sabha.

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 judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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

- An understanding of internal control relevant to the audit was obtained 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 Pradeshiya Sabha's internal control

- Evaluate the 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

- 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 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 discussions issued by the governing body of the company

- Whether the Pradeshiya Sabha 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 the other legal requirements

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

(a) The financial statements of the Pradeshiya Sabha are consistent with the preceding year as per the requirement of the 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

	Audit Observation	Comments of the Sabha	Recommendation
(a)	The total value of stationery, desktop computers and UPS purchased during the year under review, amounting to Rs. 402,281, had not been included in the financial statements.	The value of purchased stationery, desktop computers, and UPS, etc., will be included in the financial statements.	The relevant value should be included in the financial statements.
(b)	During the year under review, renovations of the Muthur Entertainment Park at a cost of Rs. 216,186 had not been accounted for under Land and Buildings.	Action will be taken to include it in the financial statements.	The cost of renovations should be accurately accounted for.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Sabha	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571(1), (2) and (3)	The Sabha had not taken action to return 75 over 2 Years lapsed deposits of Rs. 2,805,888 to the relevant persons or transfer them to the revenue account.	Actions are being taken to transfer it to the revenue account.	Action should be taken to identify and settle lapsed deposits.

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. 18,488,923 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 29,323,360 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 previous 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	7,535,000	8,812,000	1,173,000	7,639,000	7,510,000	8,347,000	1,200,000	7,147,000
(ii)	Rent	35,858,000	25,347,000	23,171,000	2,176,000	28,141,000	35,736,000	20,243,000	15,493,000
(iii)	License Fees	2,729,000	1,546,000	1,506,000	40,000	2,640,000	1,259,000	1,220,000	39,000
(iv)	Other revenue	3,269,000	3,294,000	2,704,000	590,000	2,794,000	1,233,000	827,000	406,000
		49,391,000	38,999,000	28,554,000	10,445,000	41,085,000	46,575,000	23,490,000	23,085,000

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 Tax** Out of the estimated property taxes of Rs. 7,535,000 in the year under review, the billed taxes were Rs. 8,812,000, of which only Rs. 574,468 had been collected in the year under review.	Actions are being taken to recover.	Actions should be taken to promptly recover arrears taxes.
(b)	**Rent** The Sabha had not taken actions to collect the outstanding balance of Rs. 3,451,673 due from the stall owners who were given 40 stalls at the Muttur Government Bus Stand for the past 10 years.	Actions are being taken to recover the amount in installments.	Actions should be taken to recover arrears rents promptly.

3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the Public and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 **Management inefficiencies**

Audit Observation	Comments of the Sabha	Recommendation
Although the Local Government Program Officers attached to the Regional Development Assistance Project were required to obtain prior approval from the Assistant Commissioner of Local Government when receiving allowances related to that project, they had paid Rs. 301,099 without obtaining such approval.	Action will be taken to obtain prior approval.	Payments should be made in a formal manner after obtaining prior approval.

3.2 Assets Management

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Action had not been taken to rent out and generate income from the Thoppur Stalls Complex, which had 12 stalls and was built in 2014 at a cost of Rs. 4,967,426, for over 9 years.	They will be renovated and rented out, in the future.	The shop complex should be rented out and action should be taken to generate income.
(b)	Appropriate action had not been taken to utilize the Sampur Market building, which was constructed at a cost of Rs. 3,669,340 in 2017.	The Sampur Market building had not been used due to lack of businessmen coming forward to take over due to low trade. Alternative actions will be taken for that.	Alternative actions should be taken to generate income.
(c)	A boat jetty was constructed at the Muttur Recreational Park at a cost of Rs. 2,589,515 under the Provincial Specific Development Grants in 2019, but it remained idle as approval for boat rides was not received.	Attempts have been made on several occasions, but permission to travel on the boat has not been received so far. Action will be taken as soon as permission is received.	Projects should be implemented with prior approval.
(d)	The building, which was constructed at a cost of Rs. 1,115,226 to implement the gas project under the Provincial Specific Development Grants in 2016, has been lying idle for 8 years.	The gas production building was not operational due to lack of adequate technical advice and machinery. Gas production activities will be carried out after receiving the resources for that purpose.	The project should be implemented by obtaining the necessary resources.

(e)	In the year 2024, Rs. 5 million was in fixed deposits, but while the Sabha could have implemented the installation of solar energy panels by utilizing that money and other funds of the sabha and earned 100 percent of the income, the project was implemented in such a way that solar energy panels were installed on the roof of the Sabah building by entering into agreements with a private company, and the Sabha received 6 to 18 percent of the income and the private company received 82 to 94 percent of the income. This agreement was made in violation of the rules and regulations of the Pradeshiya Sabha.	The Local Government Commissioner had signed the document based on the instructions given to the Assistant Local Government Commissioner by the Honorable Governor, after receiving his instructions and information.	Action should be taken in accordance with the provisions of the Pradeshiya Sabha Act.

3.3 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Action had not been taken to fill **27** vacancies as per the staff list approved by the Department of Management Services.	Relevant action will be taken to obtain staff.	Action should be taken to fill the vacancies.

3.4 Vehicle fleet Management

Audit Observation	Comments of the Sabha	Recommendation
The Sabha had not taken actions to dispose of or auction **05** vehicles that could not be repaired and reused for over **07** years.	Actions are being made to obtain the advice of the Eastern Provincial Chief Secretary in this regard. The auction will be held as soon as approval is received.	Arrangements should be made to dispose of it or sell it at auction.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Sabha	Recommendation
Recommendations had not been prepared to promote the operational processes of the institution and enhance its performance through internal audit, in accordance with Section 30 of the National Audit Act, No. 19 of 2018.	An annual internal audit program has been prepared. Recommendations are being made to improve performance.	The desired objectives should be achieved through Internal audit function.