

## **Manmunai Pradeshiya Sabha - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Manmunai Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising Balance sheet as at 31 December 2021, 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 Manmunai Pradeshiya Sabha as at 31 December 2021, 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**

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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**

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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 Responsibility of the Auditor for the audit of Financial Statements**

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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 and Regulatory Requirements

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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 all recommendations 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

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comment of the Council	Recommendation
During the year under review, Rs. 743,100 had been paid for the repair of the vehicle engine, but the relevant repair which extending the economic life of the vehicle, had not been classified as a capital expenditure.	The value can be corrected at the time accounting.	Capital expenditure that increases life expectancy should be included with the asset.

## 1.6.2 Documentary Evidences not made available for Audit

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
The fixed assets register, schedules including values and title deeds related to 06 asset balances worth Rs 69,471,733 had not been maintained as at 31 December of the year under review.	Since some evidences were incomplete, Actions have been taken to clear them up.	Actions should be taken to obtain written evidence.

## 1.7 Non- Compliances

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

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Following observations are related to non-compliances with Laws, Rules, Regulations and Management decisions etc.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
Financial Regulations no 571 (1) and (2) of the Democratic Socialist Republic of Sri Lanka	The council had not taken appropriate actions regarding the overdue deposits of Rs. 9,473,716 which exceeded two years.	Overdue deposits of more than two years have been identified and actions have been taken to transfer them to the council's income.	Actions should be taken to refund the deposits to the concerned persons or transfer them to revenue.

## 2. Financial Review

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### 2.1 Financial Result

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2021 amounted to Rs. 18,837,813 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 26,993,680 in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Revenue Collection Performance

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

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
Court fines of Rs. 997,704 and stamp duty of Rs. 26,379,970 should have been received from the Chief Secretary of the Provincial Council and all officials by 31 December 2021.	Actions have been taken to collect stamp duty and court fine charges.	Recovery of court fines and stamp duty should be expedited.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) Regarding 2,084 books with a value of Rs. 109,304 taken by the readers in 06 libraries but not returned, actions had not been taken to get them back or to recover the said value from the relevant persons.	The loss will be recovered from the relevant persons.	Actions should be taken to recover the loss from the relevant persons or get back.
(b) The council had not been taken actions to get Rs. 4,395,154 from UNOPS institute regarding solid waste management.	Actions have been taken to settle this amount from the council's fund.	Actions should be taken to get the money due.

### 3.2 Human Resources Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
There were 10 vacancies for 09 positions in the council and there was a surplus of 03 employees.	Appointing officials are notified monthly about employee vacancies.	Appropriate actions should be taken on vacancies and redundant employees.

#### **4. Accountability and Good Governance**

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##### **4.1 Submission of Financial Statements**

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
According to sub-section 16 (2) of the National Audit Act No. 19 of 2018, the annual performance report had not been submitted with the financial statements.	The annual performance report will be presented soon.	The annual performance report should be submitted along with the financial statements.

##### **4.2 Sustainable Development Goals**

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
According to the Sustainable Development Act No. 19 of 2017, the council had not identified the development objectives to be achieved in the year 2030.	Actions have been taken to identify targets related to the Sustainable Development Goals.	Sustainable development indicators need to be identified and action taken to implement them.