

Manmunai West Pradeshiya Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manmunai West Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the 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 West 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

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

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

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

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

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
As per the stock register as at 31 December 2021, the closing stock was Rs. 1,119,198, but the stock amount in the financial statements of the year under review had been shown as only Rs. 133,852.	Actions will be taken to rectify this.	Variations should be identified and necessary corrections should be made to the accounts.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Council	Recommendation
Title deeds, fixed asset register, separate asset value and proof documents for ownership and board of survey reports had not been submitted related to 05 asset balance worth Rs. 37,923,577 as at 31 December of the year under review.	Actions will be made to obtain title deeds and ownership certificates for the above fixed assets in the near future.	Actions should be taken to obtain written evidence for assets.

1.7 Non- Compliances

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

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations no 571 (1) and (2) of the Democratic Socialist Republic of Sri Lanka	Actions had not been taken to regularize overdue deposits of Rs.620,047 which were over two years old.	Appropriate actions will be taken in future.	Actions should be taken to refund the deposits to the concerned persons or transfer them to income.

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 2021 amounted to Rs. 10,444,300 as compared with the excess of expenditure over recurrent revenue amounted to Rs. 6,080,874 in the preceding year.

2.2 Revenue Administration

Revenue Collection Performance

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

Audit Observation	Comment of the Council	Recommendation
Court fines of Rs. 4,118,800 and stamp duty of Rs. 3,868,345 should have been received from the Chief Secretary of the Provincial Council and other officials by 31 December 2021.	The council had not received Rs.3,868,345 for the months from March to December of the year under review. Also, according to the report sent by the Registrar of the Batticaloa Magistrate's Court to the Eastern Provincial Income Tax Department with a copy to the council, the court fine fees due to the council for the year under review are Rs. 4,118,800 was shown as receivable in the financial statements of the year under review.	Actions should be taken to recover the court fines and stamp duty.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Actions had not been taken to pay a sum of Rs.1,873,377 to the creditors due from the year 2011 to the end of the year under review.	Actions will be taken to settle this amount properly.	Actions should be taken to settle the dues.
(b) Actions had not been taken to take over 19 vehicles used by the council in the name of the council.	The ownership of the vehicles which given by the Disaster Management Center, has not been transferred to our council so far.	Actions should be taken to transfer ownership to the name of the council.

3.2 Human Resources Management

Audit Observation	Comment of the Council	Recommendation
The council had not been filled up 14 vacancies for 10 posts.	The appropriate officials have been informed through letters but till now action has not been taken by them to fill the vacancies.	Actions should be taken to fill up the vacancies or revise the approved carder.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Comment of the Council	Recommendation
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.	Funds will be provided through the designated headings of the budget plan in the future.	Sustainable development indicators need to be identified and action taken to implement them.