

## **Manmunai South West Pradeshiya Sabha - 2023**

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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 South West Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Balance Sheet as at 31 December 2023, 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 South West Pradeshiya Sabha as at 31 December 2023, 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 Audit Scope (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.

- 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.
- 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 -----
(a) Donation books 804 received for libraries till the end of the year under review, amounting to Rs. 180,179 and unvalued 445 books had not been shown as assets in the financial statements.	The value of donation books will be shown in the future year.	Action should be taken to show the donation books in the financial statements.
(b) Interest of fixed deposit amounting to Rs.124,435 during the year under review, had not been shown in the financial statements.	Interest income had been shown based on the bank statement.	Action should be taken to show the interest income in the financial statements.
(c) village villages belonging to the council; The values of 14 types of 28 nos. of properties in the water supply scheme at the Guluvnamadu and Manalpidy villages, had not been accounted as assets till the end of the review year.	The assets will be valued and brought to the financial statements in future year.	Action should be taken to value and show the assets in the financial statements.

## 1.6.2 Documentary Evidences not made available for Audit

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Audit Observation	Comment of the Council	Recommendation
As at 31 December of the year under review, 04 account balances worth Rs. 59,625,995 could not be satisfactorily monitored during the audit due to non-submission of deeds, fixed asset registers and schedules.	That actions will be taken to complete the deficiencies.	Necessary evidence should be submitted to prove the account balances.

## 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.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Sub-Section 24(1)(b) of the	253 roads belonging to the council area had not been published in the Gazette.	Actions have been taken to publish the names of the remaining 253 roads in the Gazette.	Action should be taken to publish the roads in the Gazette.
(ii) Sub-Section 128	No action was taken to take over the ownership of 12 properties used by the council.	Documents have been submitted to acquire the ownership of the facilities and steps have been taken to obtain the land survey.	Steps should be taken to acquire ownership of the properties.

## 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 2023 amounted to Rs. 9,785,540 against the excess of expenditure over revenue amounted to Rs. 109,484 in the preceding year.

### 2.2 Revenue Administration

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

According to the information submitted by the council, the details relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023				2022			
	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	10,051,250	2,860,870	2,736,175	124,695	745,200	786,640	903,460	94,405
ii. Rent Income	1,141,100	783,115	783,115	-	810,100	681,350	981,350	-
iii. License Fees	1,925,250	3,100,200	3,100,200	-	1,942,850	2,040,920	2,040,920	-
iv. Other revenue	7,394,000	26,895,984	9,075,464	17,820,520	23,212,500	38,158,431	38,755,715	2,796,511
<b>Total</b>	<b>20,511,600</b>	<b>33,640,169</b>	<b>15,694,954</b>	<b>17,945,215</b>	<b>26,710,650</b>	<b>41,667,341</b>	<b>42,681,445</b>	<b>2,890,916</b>

#### 2.2.2 Revenue Collection Performance

##### other income

Action had not been taken to collect the water bill arrears of Rs.234,470 from Community Drinking Water Scheme at Madurangeni and Alangulam.

Action will be taken to collect the arrears from Divisional Secretariat of Paddyalai and Public. Action had not been taken to collect the water bill arrears.

**3. Operational Review**

**3.1 Assets Management**

<b>Audit Observations</b>	<b>Comments of the Council</b>	<b>Recommendations</b>
(a) Action had not been taken to transfer ownership of 15 vehicles in the name of other Ministries and Departments.	Steps will be taken to transfer the title of the vehicles to the name of the council	Steps should be taken to transfer ownership of vehicles to the name of the council.
(b) Action had not been taken to repair the trailer was repaired over long years, belonging to the council.	Action have been taken to auction the vehicle.	Actions should be taken to repair or dispose of the assets.

**3.2 Human Resource Management**

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) As per the approved cadre of the Department of Management Services. There were 3 vacancies and 08 excess in 05 posts.	Quarterly reports have been submitted to the top officials regarding vacancies.	Action should be taken to fill the vacancies.
(b) Distress loan amounting to Rs. 40,868 due from vacated officer in 2013, had not been recovered.	Actions are being taken to collect the loan arrears.	Action should be taken to collect the arrears.

**4. Accountability and Good Governance**

**4.1 Environmental Issues**

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
Although the applications submitted by 07 companies passing “D” class for obtaining environmental permit were rejected by the Medical Officer of Health, these companies were continuously engaged in business activities.	Notices will be given to the concerned outlets to remedy the deficiencies.	Steps should be taken to remedy the deficiencies and issue environmental protection permits.