Manmunai Pradeshiya Sabha - 2024

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1. Financial Statements

Qualified Opinion

The audit of the financial statements of the Manmunai Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, 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 in sub-section 10(1) of the National Audit Act No. 19 of 2018, 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

1.1 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.

1.2 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.

1.3 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 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 Observations	Comments of the Council	Recommendations
(a)	The values of 65 properties of 15 types sold in 2023 and the year under review had not been deducted from the accounts.	Deducted value had not been shown in the financial statements due to the delay of the valuation. Adjustments will be made in the upcoming financial year.	Action should be taken to deduct the value of the removed assets, in the accounts.
(b)	The value of 260 books received as donations in 2023 and the year under review had not been shown in the financial statements.	Action have been taken to show the proper value of the books in the accounts.	Action should be taken to show the value of donated books as assets in the accounts.
(c)	The closing consumables items of Rs. 474,649 as at the end of the year under review, was not shown as an asset in the financial statements.	Steps have been taken to include closing consumables items in the financial statements.	Action should be taken to show the closing consumables items as assets in the accounts.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Council	Recommendation
As at 31 December of the year under review, fixed asset registers, title deeds and other documents of 04 account balances sum of Rs. 68,642,923 had not been submitted to the audit.	Some of the documents were not submitted due to lack of evidence and original documents. Steps will be taken to address these.	Actions should be taken to collect the original documents of the assets and enter in the ledgers.

1.7 Non- Compliances

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

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

	Reference to Laws, Rules Regulations etc.	Non-compliances	Comments of the Council	Recommendations
(a)	Section 24(1) of the Pradeshiya Sabha's Act, No. 15 of 1987.	Although, 541 roads had been identified within the administrative arears of the Council. However, action had not been taken to gazette the 462 roads by end of the review year.	Action are being taken to publish the listed roads in the gazette	According to the act, Action should be taken to publish the identified roads in the gazette.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka 571(1), (2) & (3)	Action has not been taken to repay or bring into the income 20 deposits of Rs. 435,462, which were lapsed over two years.	Action will be taken to either refund or bring into the income in future financial year.	Action should be taken to dealt with deposits of lapsed more than two years.

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. 12,385,675 as compared with excess of revenue over recurrent expenditure amounted to Rs. 10,155,483 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 preceding year are shown below.

	Source of Revenue	2024 Estimated Revenue	2024 Revenue billed	2024 Revenue Collected	2024 Arrears as at 31 December	2023 Estimated Revenue	2023 Revenue billed	2023 Revenue Collected	2023 Arrears as at 31 December
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
i.	Rates and Taxes	4,400,000	3,829,000	2,760,360	2,056,137	4,600,000	4,932,597	3,945,100	987,497
ii.	Rent Income	10,974,800	10,230,736	10,286,122	1,368,360	12,150,000	12,955,301	11,531,555	1,423,746
iii.	License Fees	2,885,860	2,470,750	2,470,750	--	1,770,000	2,205,005	2,205,005	--
iv.	Other revenue	5,292,150	7,311,521	7,311,521	--	5,380,000	6,448,697	6,448,697	--
	Total	**23,552,810**	**23,842,007**	**22,828,753**	**3,424,497**	**23,900,000**	**26,541,600**	**24,130,357**	**2,411,243**

2.2.2 Revenue Collection Performance

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

	Audit Observations	Comments of the Council	Recommendations
(a)	**Rate and tax**		
	No action had been taken to collect the assessment tax of Rs. 2,056,137 from 6,711 properties located within the administrative areas of the Council.	Action will be taken to collect the assessment tax, in future financial year.	Actions should be taken to collect the assessment tax arrears.
(b)	**Rent**		
(i)	The Council had not taken any action to recover the Rs. 693,237 arrears from 43 shop renters over 4 years.	Action has been taken to recover the arrears.	Actions should be taken to collect the rents arrears.
(ii)	Action had not been taken to recover the lease amount of Rs. 675,125 from the public market, at the end of the year under review.	It was delayed due to the COVID-19 pandemic and fuel crisis and action has been taken to recover the arrears.	Action should be taken to recover the public market rent arrears.
(c)	**Court fines and stamp duties**		
(i)	The court fine and stamp duty due from the Chief Secretary of the Provincial Council and other officials as on 31st December 2024 are Rs. 1,287,132 and Rs. 15,827,751 respectively.	Actions has been taken in this regard.	Immediate action should be taken to recover court fines and stamp duty arrears.

(ii)	No action has been taken by the Council to recover the stamp duty of Rs. 63,150 over 08 years, which was erroneously deposited to the Kattankudy Urban Council by the Eastern Provincial Treasury in 2016.	Actions has been taken request and collect the stamp duty.	Immediate action should be taken to recover stamp duty arrears with proper evidence.

3. Operational Review

3.1 Management inefficiencies

Audit Observation	Comment of the Council	Recommendation
The Council had not taken any action to enter the 260 donation books in register, received by the libraries and to recover the 2,224 lost books in the four public libraries of the Council during the year under review	Action will be taken and adjusted in future year.	Action should be taken to record the donated books and recover the lost books.

3.2 Assets Management

	Audit Observations	Comments of the Council	Recommendations
(a)	The Council had not taken steps to repair and use the 05 vehicles owned by the Council for over 08 years.	Depending on the financial situation of the council, steps are being taken to repair the car, auction or repair tractors and trailers.	Action should be taken to repair vehicles or auction of unusable tractors and trailers.
(b)	No steps have been taken to transfer the ownership of 12 vehicles in the names of other ministries and departments.	Actions are currently being taken to get vehicle ownership.	Action should be taken to transfer the ownership of the vehicles to the Council name.
(c)	Action had not been taken to transfer ownership of the trailer to the Council, which was purchased for Rs. 314,000 in 2018 in the Council's funds and it was registered in the name of a former Secretary of the Council.	Actions has been taken to transfer the ownership of the trailer.	Action should be taken to transfer the ownership of the trailer, which was registered in the name of the former Secretary of the Council.

3.3 Lapses in contract management

Audit Observation	Comment of the Council	Recommendation
In terms of the paragraph 1.2 of the Finance Commission Circular No. 2016/01 dated 30th December 2015,	Considering the financial situation of the council, the roads were graveled and	According to the circular, action should be taken to

that Provincial and Local Government Authorities should use carpet, tar or concrete to ensure long-term use, when constructing roads to avoid gravelling and temporary roads. However, 06 roads graveled under a contract value of Rs. 2,621,602, contrary to this circular during the year under review.	action will be taken to reconstruct these roads as carpet or concrete roads after the fund availability.	construct the long-term usage roads.

3.4 Resources released to other organizations

	Audit Observation	Comment of the Council	Recommendation
(a)	If Council fix solar power system with their own funds, they could earn all income. However, Council had missed the opportunity by made an agreement with a private company, to fix at building roof with the term of receiving a 6% to 18% of the income to the Council. It was observed in audit.	The agreement was made with the instructions of the Commissioner of Eastern Provincial Local Government.	The agreement must be made in the best interest of the public and in accordance with legal provisions of the act.

3.5 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
Financial and administrative activities of the council were weak due to the lack of action taken to fill 15 staff vacancies at the end of the year under review.	Action are being taken to fill staff vacancies this year.	Actions should be taken to fill up the vacancies.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Council	Recommendation
Annual action plan had not been prepared for the activities that were to be carried out by the Council in accordance with the annual budget.	Internal action has been taken to prepare an action plan for this financial year.	Action should be taken to prepare an annual action plan for the activities to be carried out by the Council, in accordance with the budget.

4.2 Internal Audit

Audit Observation	Comment of the Council	Recommendation
As per paragraph 6 of Management Audit Circular No. DMA/01-2019 dated 12th January 2019, only the payment vouchers were audited in accordance with the approved internal audit plan during the year under review and no other activities were audited.	Internal Audit Unit has been established and an Internal Auditor has been appointed and the matter has been taken to audit.	According to the circular, steps should be taken to conduct internal audit activities regarding financial transactions of the Council.

4.3 Environmental Issues

Audit Observation	Comment of the Council	Recommendation
In terms of Section "E" of the National Environment Act, No. 47 of 1980, as amended by Act No. 56 of 1988, Act No. 53 of 2000 and Act No. 01 of 2008, and the Special Gazette No. 2264/18 dated 27th January 2022, Council had not obtained the environmental protection license for the slaughter house located in Keechchan Pallam.	The delay in physical resources has been rectified and continuous action is being taken to issue the environmental protection license this year.	According to the act, the council should take action to issue the environmental protection license.