Manmunai West Pradeshiya Sabha - 2024

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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 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 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 2024, 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 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 Observation	Comment of the Council	Recommendation
The values of 2788 books, bowser and oil production machines received as donations in 2022 and 2023, had not been shown in the financial statements.	It will be adjusted and shown as an asset in the 2025 financial statements.	Action should be taken to show the value of donated books as assets in the financial statements.

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 amount of Rs. 21,076,222 had not been submitted to the audit.	Immediate action will be taken to valued and show the assets in the 2025 financial statements.	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 are related to non-compliances with Laws, Rules, Regulations and Management decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the Council	Recommendation
Financial Regulation of the Democratic Socialist Republic of Sri Lanka			

Financial Regulation 371(5)	Although, the advance payments of Rs. 2,914,548 had been made and it had not been settled over 05 years.	Action has been taken to rectify it the year 2025	Action should be taken to recover the advance payments.

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. 12,075,882 as compared with excess of revenue over recurrent expenditure amounted to Rs. 12,972,615 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.

		2024				2023			
	Source of Revenue	Estimated Revenue (Rs.)	Revenue billed (Rs.)	Revenue Collected (Rs.)	Arrears as at 31 December (Rs.)	Estimated Revenue (Rs.)	Revenue billed (Rs.)	Revenue Collected (Rs.)	Arrears as at 31 December (Rs.)
i.	Rates and Taxes	722,425	1,250,600	907,755	342,844	722,425	722,425	514,100	208,325
ii.	Rent Income	5,556,700	6,677,950	6,677,950	-	4,004,000	7,316,950	7,316,950	-
iii.	License Fees	1,536,000	1,872,712	1,872,712	-	1,213,000	2,077,053.50	1,471,532	605,521.50
iv.	Other revenue	29,302,000	46,040,975	19,495,018	26,545,956	16,962,500	30,931,766.55	19,832,509.99	11,099,256.56
	Total	37,127,125	55,842,237	28,953,435	26,888,802	22,901,925	41,048,195.05	29,1635,091.99	11,913,103

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)	**Rates and Taxes**		
(i)	The Council has not taken any action to collect the outstanding rate tax of Rs. 182,764 from 08 villages within the administrative limits of the Council.	Action has been taken to recover the outstanding amount.	Actions should be taken to recover the rate tax arrears.
(ii)	As per the Inland Revenue Department Circular No. 2022/03 dated 23rd December 2022, a withholding tax of Rs. 97,453 has been levied on the interest income received by the Council during the years 2023 and 2024. No action has been taken by the Council to recover it.	The Council has taken action to recover the withholding tax.	Action should be taken to collect withholding tax as per the circular.
(b)	**Court fine and stamp duty**		
	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. 698,166 and Rs. 22,868,445 respectively.	Action has been taken to recover the outstanding amount	Actions should be taken to recover the arrears.

3. Operational Review

3.1 Management inefficiencies

Audit Observations	Comments of the Council	Recommendations
Allocation of Rs. 8,000,000 is shown in the financial statements without any decision or purpose for the future year. However, this fund had not been utilized.	Allocations will not be made in the future without any decision.	Action should be taken to make financial allocations in accordance with the Council decision.

3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
Action had not been taken to acquire the 63.7 hectares of 75 lands are used by the Council.	Actions have been taken to obtain the land survey plan and acquire the particular lands.	Action should be taken to acquire the ownership of the lands.

3.3 Procurement Management

Audit Observation	Comment of the Council	Recommendation
As per the 2006 Procurement Guidelines No. 4.2.1(a) of the Democratic Socialist Republic of Sri Lanka, Council had not prepared procurement plan for the supply services.	As per guideline No. 4.2.1(a), procurement plan will be prepared.	Action should be taken to prepare a procurement plan as per the circular.

3.4 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
Action had not been taken to fill the 19 vacancies approved by the Department of Management Services.	Details have been sent to the Human Management Division once every three months.	Action should be taken to fill the vacancies

3.5 Management of Vehicle Usage

Audit Observation	Comment of the Council	Recommendation
Action had not been taken to transfer the 20 vehicles received as donation including vehicles, trailers and bowser from other institutions, to the Council name	Action will be taken to change the ownership to the Council name	Action should be taken to repair and reuse the vehicles or disposal the unusable vehicles.

4. Accountability and Good Governance

4.1 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, there was no approved internal audit plan in the Council during the year under review. Hence, internal audit activities were not carried out in the Council.	Actions have been taken to prepare in the coming period, as per the circular.	Action should be taken to prepare as per the circular.

4.2 Budgetary Control

Audit Observation	Comment of the Council	Recommendation
A sum of Rs. 5,835,421 allocated for 36 items in the budget for the year under review, had not been utilized at the end of the year under review.	Action will be taken to effectively carry out administrative activities, by utilizing the allocated funds for all budgeted items.	Action should be taken to effectively carry out the administrative activities, by utilizing the allocated funds.

4.3 Environmental Issues

	Audit Observations	Comments of the Council	Recommendations
(a)	Multi Chopper Machine Rs. 289,250 purchased in 2022 and Rotating strainer value of Rs. 1,000,000 provided by the Agricultural Service Center in the year under review, had not been utilized for the compost production.	Effective action will be taken to produce the compost by utilizing the machineries.	Action should be taken to use the multi-chopper machine, it was purchased for compost production.
(b)	Action had not been taken to renew the environmental protection license of 10 institutions functioning within the council's area.	Action will be taken to renew the expired environmental production license this year.	Action should be taken to obtain the environmental production license by the industries.