

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mannar 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and Sub-section 10 (1) of the National Audit Act, No. 19 of 2018. 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 financial statements give a true and fair view of the financial position of the Mannar 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

I expressed qualified opinion 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 Scope of Audit (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 skepticism 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 Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for 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 the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The total administrative expenses and value added tax of Rs. 1,492,425 for the year under review had not shown in the financial statements.	Corrected by journal entries.	Financial statements should be prepared accurately.
(b)	Capital works of Rs. 930,600 carried out from the council funds during the year under review had not been shown in the financial statements.	-Do-	-Do-
(c)	The total outstanding revenue of Rs.158,192 from 03 communication tower fees, environmental license fees and 22 trade licenses for the year under review had not been shown in the financial statements.	That steps have been taken to recover them in full.	-Do-
(d)	The lands of 03 parks, 02 playgrounds, 29 public wells, 02 cemeteries, 02 solid waste pits, 01 pre-school and 03 slaughter houses, 06 market lands and 16 pieces of land owned by the council had not been assessed and accounted for.	Action is being taken to revalue.	Accounts should be prepared accurately.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
There was a difference of Rs.29,083,581 between the Revenue Contributions to Capital Outlay balance and the fixed asset balance as stated in the financial statements as at 31 December 2024.	That was corrected by journal entries.	Steps should be taken to reconcile the balances in the financial statements with the relevant source documents.

1.7 Non-compliance

1.7.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comments of the Council	Recommendation
(a) Section 126 IX (b) of the Pradeshiya Sabha Act, No. 15 of 1987	Waste disposal fees of Rs.1,265,500 had been collected without preparing by-laws regarding the imposition of fees and publishing them in the Gazette.	That the charges are levied on the basis of vehicle rental as per the decisions of the Sabha.	Steps should be taken to levy the charges in accordance with the provisions of the Act.
(b) Section 134 of the Pradeshiya Sabha Act, No. 15 of 1987	The Sabha had not distributed Form K to 3,440 properties during the year under review that were subject to property tax.	Forms for properties are being distributed.	Steps should be taken in accordance with the provisions of the Act.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (1), (2) and (3)	Action had not been taken to settle 22 overdue deposits of Rs.108,000 for more than 02 years.	Steps are being taken to repay the deposits.	Action must be taken in accordance with financial regulations.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.35,607,314 compared to the excess of income over recurrent expenditure amounted to Rs.20,004,324 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, 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				2023			
	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.
Rates and Taxes	305,469	597,211	522,650	74,561	92,318	92,318	3,169	89,149
Rent	9,725,700	11,689,968	11,218,967	471,001	12,616,338	11,497,067	11,329,586	167,481
License Fee	2,292,250	2,173,561	2,173,561	-	935,500	2,606,431	2,606,431	-
Other Revenue	1,622,170	6,562,252	6,562,252	-	1,244,600	2,049,620	2,049,620	-
Total	<u>13,945,589</u>	<u>21,022,992</u>	<u>20,477,430</u>	<u>545,562</u>	<u>14,888,756</u>	<u>16,245,436</u>	<u>15,988,806</u>	<u>256,630</u>

2.2.2 Performance in Collecting Revenue

Audit Observation

Appropriate steps had not been taken to recover the outstanding balances of Rs. 3,534,483 relating to old rates and taxes, rent and JCB, motor roller, motor grader rental for the past 02 to 13 years, Also, the court fines due as of 31 December 2024 were Rs.33,875,447.

Comments of the Council

That steps are being taken to collect the outstanding amount.

Recommendation

Appropriate action should be taken to promptly recover outstanding amounts.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

- (a) The balance of Rs.24,153,662 available in fixed deposits during the year under review had not been utilized for development activities related to public utility services as mentioned in Section 108 of Chapter IV of the Pradeshiya Sabha Act No. 15 of 1987 and had been deposited with the bank for the purpose of earning interest income.

Comments of the Council

That appropriate development projects will be identified and measures will be taken to implement them using fixed deposits.

Recommendation

Steps should be taken to utilize excess funds in development activities related to public utility services in accordance with the Pradeshiya Sabha Act.

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| (b) | The Sabha had lost Rs. 146,450 in revenue due to the failure to call for bids for the Talvupadu Chicken Meat Market, which is offered annually. | No one has been taken the shop for rent. | Appropriate steps should be taken to rent it out. |
| (c) | The long-term lease agreements of 17 shops, which were supposed to be renewed every 3 years, had been rented out continuously for the past 3 to 14 years without being renewed. | The process of renewing contracts is ongoing. | Appropriate measures should be taken to renew rent agreements at the appropriate times. |

3.2 Operational Inefficiencies

Audit Observation

Although, in accordance with Section 15(1) of the Housing Construction and Urban Development Ordinance No. 15 of 1915, a Certificate of Compliance (COC) should be issued to verify whether the buildings have been constructed in accordance with the provisions of the Act, certificates of compliance had not been issued for 107 development permits issued for the construction of buildings by the end of the year under review.

Comments of the Council

Notifications have been issued to obtain the certificate of compliance.

Recommendation

Steps should be taken to issue the certificates of compliance.

3.3 Assets Management

Audit Observation

- (a) The 05 types of manure fertilizer making machines, which were purchased in 2023 under the Local Development Grant for a sum of Rs.4,801,445, had been kept in the head office vehicle yard for over a year without being used for the relevant purposes.
- (b) Two vehicles that could be repaired have been in disrepair for over 8 to 14 years.
- (c) Steps had not been taken to transfer ownership of 05 vehicles to the Council which were use by the Council for a period of 02 years and over 20 years.

Comments of the Council

Steps are being taken to utilize the machinery.

Further work is being done on this matter.

Steps are being taken to transfer ownership.

Recommendation

Steps should be taken to fully utilize the assets.

Steps should be taken to ensure that vehicles are not left in a state of disuse.

The ownership of the assets owned by the council should be cleared.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure with the actual income and expenditure as per the budget prepared for the year under review, there were variations ranging from 15 percent to 96 percent in 05 income objects and from 14 percent to 78 percent in 05 expenditure objects, therefore, the budget had not been used as an effective management control tool.	Not answered.	The budget should be prepared carefully, identifying the needs.