Manthai West Pradeshiya Sabha - 2024

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manthai 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 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 Manthai 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

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 value of the Gully Bowser purchased in the year under review was understated by Rs.15,120,000 in the financial statements.	This will be corrected and accounted for in the next financial report.	The value of assets should be accurately included in the financial statements.
(b)	Administrative/supervisory expenses and value added tax totaling Rs.5,083,121 had not been shown in the financial statements.	This will be accounted for and corrected in the next financial year.	All expenses and income should be included in the financial statements.
(c)	The total value of 03 capital projects valued at Rs.1,594,268 carried out from the Sabha funds had not been capitalized.	-Do-	Accounts should be prepared accurately.
(d)	The estimated cost of 14 unfinished construction projects totaling Rs.32,120,364 had been accounted for as development reserves.	That is being implemented in this financial year.	-Do-
(e)	The closing balance of the accumulated fund for the year under review had been understated by Rs. 35,462,925 in the statement of financial position.	The actual situation will be investigated and corrected in the future.	Financial Statements should be prepared accurately.
(f)	The general inventory amounting to Rs.1,380,803 and the security deposit of Rs.132,500 collected from the officers of the Sabha had not disclosed in the financial statements.	That it will be accounted for in the next financial year.	-Do-

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
A difference of Rs. 3,294,425 had been observed between the balance of Revenue Contributions to Capital Outlay and the balance of fixed assets as stated in the financial statements as at 31 December 2024.	The real situation here will be investigated and corrected in the future.	Steps should be taken to reconcile the balances in the financial statements with the relevant source documents.

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.45,392,097 compared to the excess of income over recurrent expenditure amounted to Rs.31,471,586 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.

	2024				2023			
Source of Revenue	**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	67,000	73,500	73,500	-	-	500	500	-
Rent	8,571,162	11,695,694	11,503,327	192,367	8,287,781	8,660,385	8,413,483	246,902
License Fee	1,058,250	1,379,285	1,379,285	-	869,500	1,214,270	1,214,270	-
Other Revenue	3,106,700	7,384,380	7,301,080	83,300	2,044,300	3,361,432	3,295,905	65,527
Total	12,803,112	20,532,859	20,257,192	275,667	11,201,581	13,236,587	12,924,158	312,429

2.2.2 Performance in Collecting Revenue

Audit Observation	Comments of the Council	Recommendation
The total outstanding rent and service charges for 04 market stalls amounted to Rs.504,125, has been existed in the last 07 to 09 years, and the Sabha had not taken any action to recover the court fines of Rs. 6,617,016 and stamp duties of Rs. 158,624 due as of 31 December 2024.	The steps are being taken to collect the outstanding amounts.	Appropriate measures should be taken to collect the outstanding amounts promptly.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	The balance of Rs.36,399,834 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.	Fixed deposit funds will be utilized for development activities in the future, with due approval.	Steps should be taken to utilize surplus funds in development activities related to public utility services in accordance with the provisions of the Act.
(b)	Even though, provisions had been made in the Sabha budget for the year under review, the Sabha had not taken steps to initiate 16 capital projects worth Rs. 33.5 million even by the end of the year under review.	These projects will be implemented in this financial year, referred to as development reserves.	Steps should be taken to complete the projects within the stipulated period.
(c)	The Sabha had lost Rs.1,421,000 in revenue due to 12 stalls not being awarded bids.	Measures are being taken to rent out the shops.	Appropriate measures should be taken to rent it out.
(d)	The council had not taken any action against the tenants regarding the subletting of 18 shops and the sale of one shop.	Action is being taken in this regard.	Appropriate action should be taken against the tenants.

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Council	Recommendation
(a)	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	Notice has been sent to obtain the certificate of compliance.	Steps should be taken to issue the certificate of compliance.

	constructed in accordance with the provisions of the Act, certificates of compliance had not been issued for 74 development permits issued for the construction of buildings by the end of the year under review.		
(b)	The council had spent Rs. 2,325,000 to implement the organic fertilizer production project and had achieved the expected output level, but had not achieved the expected outcome.	Operations will be fully commenced after the machinery is installed.	Assets should be utilized in a manner that can yield benefits.

3.3 Assets Management

	Audit Observation	Comments of the Council	Recommendation
(a)	The Solid Waste Management Center building constructed in Adampan at a cost of Rs. 6,896,005 and the Health Service Center constructed in Vellankulam at a cost of Rs. 12,735,014, using Local Development Support Project, had not been utilized for the relevant purposes even though 07 months had passed since its construction.	Steps are being taken to fully utilize the assets.	Steps should be taken to fully utilize the assets.
(b)	04 vehicles that could be repaired have been idle for the past 03 to 04 years.	That the steps will be taken to repair the damage as funds become available.	Assets should not be left unused.
(c)	The Adampan Sub-Office Building and the Primary Health Service Centre in Vidaththalthivu have not been renovated and put back into use for a period of 10 to 16 years.	That the measures are to be taken to repair as funds become available.	Assets should not be left unused.
(d)	The ownership of 03 parks, 09 market stall complexes, 05 slaughterhouses, 04 playgrounds, 05 libraries, 08 cemeteries, Illuppeikadawai solid waste dump and 28 other lands belonging to the council area and used by the sabha had not been taken over by the sabha as of the audit date.	Steps have been taken to do this in the near future.	The ownership of the assets 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 12 percent to 146 percent in 05 income objects and from 18 percent to 43 percent in 05 expenditure objects, therefore, the budget had not been used as an effective management control tool.	The variance was due to unexpected income and high expenses.	The budget should be prepared carefully, identifying the needs.