

Manthai East Pradeshiya Sabha - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manthai East Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, statement of financial performance, statement of changes in equity, cash flow statement for the year then ended and a summary of 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 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 East Pradeshiya Sabha as at 31 December 2022, 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 Sub 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 Requirements

National Audit Act, No. 19 of 2018 include specific provisions for 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 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 Policies

Audit Observation	Comment of the Sabha	Recommendation
The accounting policies adopted by the Sabha had not been disclosed in the financial statements for the year under review.	It will be revealed in the near future.	The accounting policies followed should be disclosed in the financial statements.

1.6.2 Accounting Policies

Audit Observation	Comment of the Sabha	Recommendation
The Balinagar Library building and its properties valued at Rs. 918,143 renovated from the funds of the sabha during the year under review had not been recognized as fixed assets.	It will be included in the forthcoming annual accounts.	Accounts should be properly prepared.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
The correctness of sundry creditor balances of Rs.255,368 and land value of Rs.3,190,628 could not be verified due to non-availability of balance confirmations, payment vouchers and liability ledger and non-submission of land title deeds, survey map and valuation certificate respectively.	The sundry creditor balance had been transferred to the Government Revenue and the land will be assessed after receiving the survey maps.	Evidence required for audit should be submitted.

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 2022 amounted to Rs. 10,179,237 as compared with the excess of revenue over recurrent expenditure amounted to Rs.15,069,824 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 presented by the Sabha, information 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	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at December 31	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	-	-	-	-	-	-	-	-
Rent	665,000	550,934	479,434	233,794	818,000	646,346	503,556	321,183
License Fees	290,000	274,876	274,876	-	530,000	313,645	313,645	-
Other revenue	<u>16,527,000</u>	<u>19,483,101</u>	<u>3,875,277</u>	<u>23,535,363</u>	<u>23,560,000</u>	<u>21,731,593</u>	<u>5,777,064</u>	<u>21,383,075</u>
	<u>17,482,000</u>	<u>20,308,911</u>	<u>4,629,587</u>	<u>23,769,157</u>	<u>24,908,000</u>	<u>22,691,584</u>	<u>6,594,265</u>	<u>21,704,258</u>

2.2.2 Performance in Revenue Collection

Audit Observation

A balance of Rs. 429,570 has to be received from the heavy vehicle rental of the Sabha for the period between 01 year and 03 years.

Comment of the Sabha

Actions are being taken to recover.

Recommendation

The arrears revenue should be recovered immediately.

3. Operating Review

3.1 Operating inefficiencies

Audit Observation

The purified drinking water supply project provided to the Sabha by the People's Bank had failed and the equipment including the center constructed for it and two plastic water containers with a capacity of 5,000 liters and 10,000 liters remained idle.

Comment of the Sabha

Action will be taken to use.

Recommendation

Effective measures should be taken to provide purified drinking water.

3.2 Assets Management

Audit Observation

(a) 17 public wells valued at Rs. 2,985,493 had been abandoned without use.

Comment of the Sabha

Cleaning is done annually in June and July.

Recommendation

Appropriate measures should be taken to ensure that public wells are used and maintained for their intended purpose.

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| (b) No steps have been taken to take over the ownership of 03 bowsers and a tractor donated by the Manthei East Divisional Secretariat. | The district secretary had been informed to hand over the temporarily provided vehicles to the sabha. | The ownership of assets should be settled. |
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3.3 Deficiencies in Contract Administration

Audit Observation	Comment of the Sabha	Recommendation
Without the recommendation of the technical evaluation committee and the approval of the procurement committee, a farmer's organization had been awarded to prepare name boards for 219 streets belonging to the sabha based on a unanimous decision of the chairman in the year 2020. The constructions had not been up to standard.	Actions had been taken to seal and repair the holes at the top of the nameplate.	Actions should be taken as per procurement guidelines and deficiencies in construction should be rectified.

3.4 Human Resources Management

Audit Observation	Comment of the Sabha	Recommendation
Librarians had not been appointed for 03 libraries of the sabha and the library assistants have done the work.	The concerned authorities had been requested to take steps to fill the vacancies of Librarian.	Librarians and assistants should be assigned and steps should be taken to make the library service effective.

4. Accountability and Good Governance

Environmental Issue

Audit Observation	Comment of the Sabha	Recommendation
The sabha had not taken any action for obtaining environmental permits for solid waste storage places, seggregating and collecting garbage and recycling solid waste up to now.	Actions will be taken to seggregate waste and obtain environmental permits.	Solid waste should be managed properly.