

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 2022 comprising the Balance Sheet as at 31 December 2022, 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 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 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

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.

- 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 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 value of Rs. 558,170 of 2450 books received as donations for 07 libraries had not been accounted.	That will be corrected in the future.	Library books should be shown in the financial statements.

1.6.2 Unreconciled Account Balances

Audit Observation	Comment of the Council	Recommendation
There was a net difference of Rs. 1,816,888 between the deposit register and the balance as per accounts as at 31 December of the year under review.	That will be corrected.	The closing balance of the registers should be compared with the financial statements.

1.6.3 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Council	Recommendation
As at 31 December of the year under review, 03 account balances worth Rs. 19,922,475 could not be satisfactorily monitored during the audit due to non-submission of land deeds and fixed asset registers.	That will be corrected.	The closing balance of the registers should be compared with the financial statements.

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	Comments of the Council	Recommendation
Finance Regulations of the Democratic Socialist Republic of Sri Lanka – 571 (1) and (2), Sub-section 31 (1) of Gazette No. 488/16	Deposits of Rs. 141,897, which lapsed two years, had not been disposed.	That will be dealt with it.	Should be 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 2022 amounted to Rs. 19,429,389 as compared with excess of revenue over recurrent expenditure amounted to Rs. 10,444,300 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	2022				2021			
	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.)
i. Rates and Taxes	-	-	-	-	-	-	-	-
ii. Rent Income	4,184,600	4,080,450	4,080,450	-	3,504,256	4,038,256	4,038,256	-
iii. License Fees	1,189,000	1,214,394	1,214,394	-	1,046,500	1,087,850	1,087,850	-
iv. Other revenue	<u>16,223,000</u>	<u>32,315,740</u>	<u>32,769,093</u>	<u>374,952</u>	<u>15,684,214</u>	<u>29,787,760</u>	<u>31,187,887</u>	<u>828,306</u>
Total	<u>21,596,600</u>	<u>37,610,584</u>	<u>38,063,937</u>	<u>374,952</u>	<u>20,234,970</u>	<u>34,913,866</u>	<u>36,313,993</u>	<u>828,306</u>

2.2.2 Revenue Collection Performance

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

Audit Observation	Comment of the Council	Recommendation
The stamp duty for the last 5 years to be received from the Chief Secretary of the Provincial Council and other officials till the end of the year under review was Rs. 2,027,475.	That actions have been taken to recover the arrears of stamp duty.	Actions should be taken to collect stamp duty income.

3. Operational Review

3.1 Unsettled Account Balances

Audit Observation	Comment of the Council	Recommendation
From the year 2011 to the end of the year under review, a payable amount of Rs. 1,873,377 to the creditors had not been settled.	It is not possible to correct this amount accordingly, since there are no documents regarding the information.	Actions should be made to settle the payable amount to the creditors.

3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
(a) Revenue licenses had not been obtained for 16 vehicles including tractor trailers and bowers belonging to the council.	That actions will be made to obtain revenue licenses for the vehicles after repairing.	Actions should be made to obtain revenue license for vehicles.
(b) Although the council had utilized 34 tractor-tailors and bowsers donated by other government institutions, the council had not been taken actions to transfer the ownership of 13 vehicles to the name of the council.	That it will be transferred to the name of the council in the future.	Actions should be made to transfer the ownership of the vehicles to the name of the council.
(c) 04 tractors and 01 double cab owned by the council had not been repaired and utilized by the council until the end of the year under review.	That the repairing will be made in the future.	Actions should be made to repair vehicles.

3.3 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
There were 14 vacancies and 02 excess in 10 posts of approved staff in the Department of Management Services.	That monthly staff details are sent to top level authorities.	Actions should be made to fill up employee vacancies and regularize excess.