

Manmunai South & Eruvil Pattu Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manmunai South & Eruvil Pattu Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Balance Sheet as at 31 December 2023, 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 South & Eruvil Pattu Pradeshiya Sabha as at 31 December 2023, 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 -----
(a) The value of 2,276 books received as donations for the 12 nos. of libraries till the end of the year under review amounting to Rs. 1,041,246 had not been shown as assets in the financial statements.	The value of donation books will be shown in the future year.	Action should be taken to show the donation books in the financial statements.
(b) In the review year; Erected tiller tent and; 281,400 of machinery purchased was not filed in the financial statements.	Action will be taken to shown the value of the fingerprint machine and printer in the financial statement.	Action should be taken to show the assets in the financial statements.
(c) Tipping fee amount of Rs. 138,070 payable to the Eravur Pattu Pradeshiya Sabha, had not been shown in the financial statement.	Action will be taken to rectify these issues in the future year.	Action should be taken to show the liabilities in financial statements.
(d) 31 unvalued fixed assets in solid waste management center had not been shown as assets in the financial statements.	That actions will be taken to bring as assets in the future year.	Assets should be disclosed 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, 10 account balances worth Rs. 26,086,209 could not be satisfactorily monitored during the audit due to non-submission of land deeds, fixed asset registers, advance register and documents proving ownership and balances.	That the actions have been taken to collect and enter information on fixed assets such as land and buildings, plants and motor vehicles and outstanding balances.	Actions should be taken to collect the documents related to the assets and enter them in the ledger.

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
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) Section 371 (2) (b)	A sum of Rs. 1,335,076 of advances given by the council during the period of last 10 years had not been settled even at the end of the year under review.	Sabha had requested the Head of the Department for adjusting the advances.	Actions should be taken to recover advance payments.
(ii) Section 571 (1) ,(2) & (3)	Action had not been taken to settled or transferred to the income the lapsed deposits of Rs.867,400 from 36 persons over 02 years,	Action will be taken to transfer the lapsed deposits to the income.	Action should be taken to adjust the lapsed deposits.

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 2023 amounted to Rs. 42,837,658 as compared with excess of revenue over recurrent expenditure amounted to Rs. 7,605,386 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 by the council, 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	2023				2022			
	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	4,875,000	7,724,910	7,445,980	3,436,600	3,050,000	7,342,800	6,689,430	3,157,670
ii. Rent Income	18,033,000	15,273,841	17,867,637	4,325,850	17,737,000	9,085,657	17,491,824	6,919,645
iii. License Fees	1,900,000	2,774,040	2,774,040	-	1,825,000	2,591,510	2,591,510	-
iv. Other revenue	4,425,000	3,582,737	3,614,087	1,656,338	43,610,000	55,040,481	55,040,803	5,005,689
Total	29,233,000	29,355,528	31,701,744	9,418,788	66,222,000	74,060,448	81,813,567	15,083,004

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
(a) As on December 31, 2023, arrears of assessments and taxes were Rs. 3,436,600 out of which Rs.3,157,670 belonged to the period between year 01 and year 05.	Action will be taken to collect the arrears.	Actions should be taken to collect the rate tax arrears.

(b) Rental

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| (i) Till the end of the year under review no action has been taken to collect the rent arrears of Rs.556,376 from 12 lessee. | Action will be taken to collect the rent. | Action should be taken collect the rent arrears. |
| (ii) From 2008 to the end of the year under review, no action has been taken to dispose of the lease income amounting to Rs.3,629,224 from 63 leaseholders. | It was not collected due to the bad situation in the country in the period 1985-2009. Therefore, this has been reported to the head of the department and actions have been taken to cut it off. | Actions should be taken to recover lease arrears. |
| (c) Courts fine and Stamp duty amounted to Rs. 19,877,903 and Rs. 18,114,773 respectively, from the Chief Secretary of the Provincial Council and other authorities was due on 31 December 2023. | That actions will be taken to recover in the future year. | Actions should be taken to collect the outstanding courts fine and stamp duty. |

3. Operational Review

3.1 Management Inefficiencies

Audit Observation -----	Comment of the Council -----	Recommendation -----
(a) Action had not been taken to adjust the Advance payments to Ceylon Electricity Board amounting to Rs.167,580 and payable to Electricity Board amounting to Rs.2,069,410 which have been shown as assets in the financial statements for more than 10 years and receivable electricity charges was shown under the other income amounting to Rs.1,656,338.	Action are being taken to adjust the arrears.	Action should be taken to settle the long-term advance payments and other income arrears.
(b) 53 land and buildings and 27 motor vehicles had not been revalued and disclosed in the financial statements.	Actions will be taken to revalue the assets.	Action should be taken to revalue the assets.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) From 2019 to 2023, 354 of the 1,286 building applications were not approved due to complaints, land issues, document deficiencies and delays by the Urban Development Authority.	These will be adjusted in future.	Action should be taken to issue building application permits without delay.
(b) As per sub-section 6(II), (III) of the regulation of the Urban Development Authority published by Extraordinary gazette No. 597/8 dated 17th April 2019, No action has been taken to pay the penalty amount of Rs. 459,980 for the construction of Periya Kallar marriage and cultural hall had been builded without approval.	Action will be taken to collect the penalty amount.	Action should be taken to collect the penalty arrears.

3.3 Assets Management

Audit Observation	Comment of the Council	Recommendation
Actions had not been taken to repair 02 vehicles which were in repairable condition and to dispose of 03 vehicles which were unusable.	That actions have been taken to repair the vehicles and remove unusable vehicles.	Actions should be taken to repair vehicles and remove unusable vehicles.

3.4 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) No action has been taken by the Council to fill up the 17 vacancies in the sanctioned staff lists of the Department of Management Services.	Although, the council took decisions and made requests regarding the vacant staff and there no any improvement.	Actions should be taken to fill up the vacancies.
(b) Distress loan and other loan amounting to Rs. 601,440 due from the retired, death and terminated 06 nos. of staffs had not been recovered.	Action has been taken to collect the loan arrears from pension and gratuity.	Action should be taken to collect the loan arrears.

4. Accountability and Good Governance

4.1 Environmental Issues

Audit Observation -----	Comment of the Council -----	Recommendation -----
47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 and the Ordinances in force thereunder for the last 03 years for renewal of expired environmental permits of 08 wood mills, 04 greenhouses, 01 building materials outlet and 01 vehicle repair shop. No action has been taken for a long time.	That steps will be taken to renew the licenses of the respective business locations.	Steps should be taken to renew the environmental licenses as required.