

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manmunai 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 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) During the year under review, cost value of the sold 69 properties of 14 types of items had not been deducted from the accounts.	The value of sold items will be deducted in the future year.	Action should be taken to deduct the cost value of the sold items.
(b) The value of 499 books received as donations for the 06 nos. of libraries till the end of the year under review amounting to Rs. 288,726 and unvalued 127 books 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.
(c) At the end of the year under review, consumables stock of Rs.203,225 and stationery stock of Rs.135,343 were not shown in the financial statements.	The value of inventory items will be shown in the future year.	Action should be taken to show the inventory items in the financial statements.

- (d) The value of 15,000 kilograms of compost produced by the council's solid waste plant and ready for sale at a value of Rs.187,500 was not reflected in the financial statements. Steps will be taken to include this in the accounts in future year. Action should be taken to show the compost 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, 04 account balances worth Rs. 69,642,923 could not be satisfactorily monitored during the audit due to non-submission of title deeds, fixed asset registers, Schedules and balance confirmations.	Actions will be made to account for the value of the assets by the temporary assessments in the future and to obtain deeds for the lands that do not have title deeds.	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.	Rs	Non-compliance	Comments of the Council	Recommendation
(a) Regulation no.6 (2) of the extra ordinary gazette no.2249/13 dated 2021 October 12.	...	No action has been taken to obtain Provident Fund Membership Certificate Form "B" for the 13 nos. of health workers working in substitute basis in the Council.	Action will be taken to get the EPF membership for the substitute employees.	Actions should be taken to get the EPF membership for the substitute employees.
(b) Treasury Operations Circular no. 03/2018 dated 26 July 2018	691,769	No action has been taken to close the dormant bank current account over the last 08 years.	Action will be taken to close the account in the coming year.	As per the circular, action should be taken to close the dormant bank

account

- (c) Assets Management circular no.03/2018 dated 2018 October 10 --- Action has not been taken to receive the vehicle ownership for a five ton road roller from Commissioner of Motor Traffic. Action will be taken to receive the ownership for five ton roller, in future year. Action should be taken to receive the vehicle ownership.

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. 10,155,483 as compared with excess of revenue over recurrent expenditure amounted to Rs. 18,381,968 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	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	4,600,000	4,932,591	3,945,100	987,497	2,210,000	3,242,960	3,280,635	525,197
ii. Rent Income	12,150,000	12,955,302	11,531,555	1,423,747	9,644,600	9,378,800	8,083,000	1,861,447
iii. License Fees	1,770,000	2,205,005	2,205,005	-	1,895,000	1,554,690	1,554,690	-
iv. Other revenue	74,639,433	56,185,404	52,889,229	3,296,175	28,020,000	48,057,170	48,355,585	3,430,939
Total	93,159,433	76,278,302	70,570,889	5,707,419	41,769,600	62,233,620	61,273,910	5,817,583

2.2.2 Revenue Collection Performance

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

Audit Observations	Comments of the Council	Recommendations
(a) No action has been taken to collect the rate taxes arrears amounted to Rs. 722,939 for the buildings located within Council area.	Steps are being taken to recover the arrears.	Actions should be taken to collect the rate tax arrears
(b) At the end of the year under review, the arrears of rent and lease income amounted to Rs. 371,797 and Rs. 865,250 from 34 lessees.	Actions have been taken to recover the arrears.	Actions should be taken to collect the rents and leases.

3. Operational Review

3.1 Assets Management

Audit Observation	Comment of the Council	Recommendation
Actions have not been taken to change the ownership of the towing box registered in the name of a former secretary of the council and the 12 vehicles in the name of other ministries and departments in 2018 at a value of Rs.314,000.	Steps will be taken to transfer ownership of the vehicles to the name of the council.	Actions should be taken to take over the vehicles.

3.2 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
Staff vacancies		
(a) As per the approved cadre of the Department of Management Services, there were 15 vacancies in the Council.	That monthly staff detail report has been sent to office of the Commissioner of Local Government and Assistant Commissioner of Local Government.	Actions should be taken to fill up the vacancies.

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| (b) | 2,710 students were enrolled from 2016 to year under review, for the computer training course conducted by the council and amounted of Rs.9,123,840 had been collected as course fees. Eventhough, action had not been taken to approve the permanent cadre for ICT instructor. | Detail had been submitted for cadre creation with our justification. | Actions should be taken to approve the new cadre. |
| (c) | No steps have been taken to recover the outstanding loan balance of Rs.258,343 due from two retired refinery workers and a deceased officer for more than 02 years. | Steps have been taken to recover loan arrears from 02 staffs. | Loan arrears should be recovered from the related employee. |

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation -----	Comment of the Council -----	Recommendation -----
According to the annual budget, the council had not been prepared an action plan for 30 activities to be implemented.	The annual action plan will be prepared in the future as per your instructions.	Annual action plan should be prepared according to the budget.