

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 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 West 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.

- (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 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)	14,000,000 worth of vouchers received as donations in 2022 had not been shown in the financial statements.	Action will be taken in the future year.	Action should be taken to show the assets in the financial statements.
(b)	The value of 2,450 books received as donations for the 07 nos. of libraries till the end of the year under review amounting to Rs. 558,170 and unvalued 158 books had not been shown as assets in the financial statements.	It will be corrected in the future year.	Action should be taken to show the donation books in the financial statements.
(c)	01 lenova tap and 08 water tanks capacity of 500 litre had been received as donations during the year under review, had not been shown as assets in the financial statements.	- Do -	Action should be taken to show the assets 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. 21,076,222 could not be satisfactorily monitored during the audit due to non-submission of land deeds, fixed asset registers, schedules and balance confirmations.	It has been adjusted and assets has been recorded.	Documents of the assets should be obtained and documented.

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
Financial Regulation of the Democratic Socialist Republic of Sri Lanka Section 371(2) (b)	Advance payments amounted to Rs. 2,914,548 made 41 times by the Council for the solid waste management center, which had not been settled over 05 years.	Action will be taken to identify and rectify them in the future year.	Action should be taken to recover the advance payments.
Section 571 (1) ,(2) & (3)	Deposits of Rs. 13,581,977 from 22 persons, which were lapsed two years, had not been refunded or transferred to the income.	Action has been taken to refund or transfer the lapsed deposits to 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. 12,972,615 as compared with excess of revenue over recurrent expenditure amounted to Rs. 19,429,389 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	722,425	722,425	514,100	208,325	-	-	-	-
ii. Rent Income	4,004,000	7,454,953	7,316,950	138,003	4,184,600	4,218,452	40,080,450	138,002
iii. License Fees	1,213,000	2,683,892	1,471,532	1,212,360	1,189,000	2,426,754	1,214,394	1,212,360
iv. Other revenue	4,012,500	4,544,581	3,939,059	605,522	16,223,000	32,315,740	32,769,093	374,952
Total	9,951,925	15,405,851	13,241,641	2,164,210	21,596,600	38,960,946	74,063,937	1,725,314

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) Action had not been taken to recover the rate tax arrears from 08 village areas amounting to Rs.69,415	Action is being taken to recover the arrears.	Actions should be taken to recover the rate tax arrears.
(b) World Vision had established water supply scheme at Karayakantheevu, council had not taken action to collect the arrears amount of 1,569,062 from 207 people regarding the provision of water by the council.	Large amount of dues remain due to the negligence of community center and village peoples.	Actions should be taken to recover the arrears.

3. Operational Review

3.1 Unsettled Account Balances

Audit Observation	Comment of the Council	Recommendation
(a) Action had not been taken to refund or transfer to the income the creditor amounted to Rs.1, 837,377 had been disclosed in the accounts since 2008.	We are unable to rectify it, because of lack of documents.	Actions should be made to settle the payable amount to the creditors.

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| <p>(b) According to the Council's Citizen Charter, building approvals should be given within 14 days, but only 15 of the 44 building applications received in the year under review were approved. Also, approvals for 08 buildings from other 29 applications were given after a delay of 03 to 07 months.</p> | <p>Action will be taken to give the approval within 14 days in future year.</p> | <p>Action should be taken to issue approval within proper period.</p> |
| <p>(c) An interest income of approximately Rs.1,375,000 had been lost due to the council's failure to take measures to deposit Rs.500,000 in the savings account of the National Savings Bank, which provided an interest income of Rs.120,940, in fixed deposit accounts since 19 years from the year 2003 till the end of the year under review.</p> | <p>In the financial year 2024, steps will be taken to convert this amount to fixed deposit account.</p> | <p>Steps should be taken to keep the amount in the savings account fixed for long term.</p> |
| <p>(d) As per Section 134 of the Public Assemblies Act No. 15 of 1987, rates were to be assessed on the annual value of the immovable property, but the values of 6,425 immovable properties in 08 villages under the administrative jurisdiction of the council were not assessed by the Valuation Department; The almshouses have been carried out step by step through the ad hoc assessment of the council.</p> | <p>Due to the delay of the assessment department, the council is making the income tax credit as per provisional tax assessment.</p> | <p>Interest should be calculated on the annual value of the immovable property.</p> |

3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
<p>(a) 63.7 hectares are used by the council and No steps have been taken by the council to acquire 75 plots of land.</p>	<p>An application has been made to the Divisional Secretary through the Local Government Commissioner claiming the ownership for council for these lands.</p>	<p>Steps should be taken to acquire lands.</p>
<p>(b) 05 plowing machines, 02 tractors, bowsers and road rollers belonging to the council are found in a broken condition for a long time and no action has been taken by the council to repair and reuse it or to sell it at auction for more than 10 years.</p>	<p>As permission to auction the vehicles has not yet been granted, they cannot be removed from the council.</p>	<p>Steps should be taken to repair vehicles or dispose of unserviceable ones.</p>

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| (c) | The ownership of the 21 vehicles, trailers and bowsers that had been donated to the council from other government institutions, had not been transferred to the council. | Actions have been taken to change the Registration of the vehicles and the request for the change of t Registration has been forwarded to the concerned departments. | Actions should be made to take over the vehicle as an asset of the council. |
| (d) | No action has been taken for more than 02 years to use the multi-chopper machine worth Rs. 289,250 purchased through the Governor's Fund for the production of Compost in the year 2022. | This year, the activities for making Compost using the said machine will be carried out better. | Steps should be taken to use the purchased multi-chopper machine for Compost production. |

3.3 Human Resource Management

Audit Observation -----	Comment of the Council -----	Recommendation -----
12 vacancies at the primary level and 04 vacancies at the secondary level, totaling 16 vacancies were not taken to fill up the services provided by the council to the public in a weak manner.	Due to the unusual situation in the country, the vacancies was not filled.	Steps should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Environmental Issues

Audit Observation -----	Comment of the Council -----	Recommendation -----
No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 of 1980 and the Ordinances enacted thereunder have not taken action to renew the expired environmental Licenses of 03 business entities. As per the above mentioned act and Special Gazette No. 2264-18 dated January 27, 2022, 23 business entities and the Government Solid Waste Management Centre of the council have not received an Environmental Licenses.	Steps will be taken to obtain and renew the environmental Licenses.	Actions should be taken to renew Environmental Licenses for business entities and obtain Environmental Licenses for solid waste management Centre.