

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manthai East Pradeshiya Sabha for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 and income and expenditure account and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out 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 reported 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 Manthai East 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 Principles.

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 Principles, 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 Observations	Comment of the Sabhas	Recommendations
(a) The amount of Rs. 9,916,895 provided to the Sabha from the Local Credit Development Fund in the year under review had not been presented in the financial statements of the year under review.	That actions have been taken to present in financial statements of this year.	Financial statements should be properly prepared.
(b) Estimated cost of Rs. 1,550,000 related to unfinished construction had been accounted as creditors.	That the value will be settled after completion of work and receipt of payment bills.	- Do -

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Sabhas	Recommendations
(a) Paragraph (b) of Financial Regulation 371(2) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020	During the year under review, A sum of Rs. 317,251 on 13 occasions as ad hoc interim imprest had been given to 09 non-staff officers.	That it will be provided only to staff officers.	Actions should be taken according to the regulations in the Act.

- (b) 571(1), (2) and (3) of the Finance Regulations of the Democratic Socialist Republic of Sri Lanka. 04 refundable bid deposits and refundable security deposits totaling Rs. 202,107 to socially responsible institutions had not been settled for a period of last 01 year to 02 years. That actions have been taken to release the security deposit. Actions should be taken according to the financial regulations.

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. 10,319,206 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 10,179,237 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 Sabha 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	Estimated Revenue	2023			2022			Arrears as at 31 December
		Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	-	4,000	4,000	-	-	-	-	-
(ii) Rent	540,000	624,870	620,850	220,582	665,000	550,934	479,434	216,562
(iii) License Fees	165,000	253,800	253,800	-	290,000	274,876	274,876	-
(iv) Other revenue	23,479,000	24,104,182	35,148,958	12,297,000	16,527,000	19,438,101	3,875,277	23,342,595
	24,184,000	24,986,852	36,027,608	12,517,582	17,482,000	20,263,911	4,629,587	23,559,157

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
In relation to the review year and the previous years, a total of Rs. 1,057,124 shop rentals and penalty charges from 42 parties, market rentals and rentals due from heavy vehicle services of the council for a period of 01 to 11 years, without taking any action to recover them, had been presented continuously in the financial statements. Also, the amount of stamp duty that had to be collected for more than a year was Rs. 329,330.	Actions are being taken to writ-off from the books. Regarding heavy vehicle rental arrears related to previous years, notices have been issued to those concerned and actions are being taken.	The revenue should be collected as soon as possible.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observations	Comment of the Sabhas	Recommendations
(a) Gandhiji Community Center, which was built at a total cost of Rs.802,515 in the year 2021, has not been completed due to non-preparation of work estimates for renovation works. Accordingly, the welfare services expected to be provided to the people through this project had not been provided for more than 02 years.	That the funds have been allocated to complete the tasks for the year 2024.	Actions should be taken to prepare the estimates for the renovation works and to complete.
(b) Markets and its shop complexes built in Ponnagar and Pandiankulam/ Nattakandal etc. to provide on lease basis and rent basis had been remained idle for last 01 to 05 years and the value of this also had not been assessed.	Advertisements had been published in the newspapers but no one came forward to get the stalls.	Assets should not be left unused.

3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendations
Various building constructions were implemented at a total cost of Rs. 53,481,480 and lands where 18 public wells were renovated with a total cost of Rs.3,190,628 through council funds and Provincial Specific Development Grants, did not belong to the council but no action had been taken so far to take them over to the council.	No answers have been given.	Appropriate actions should be taken to take over by the council.

4. Accountability and Good Governance

4.1 Environmental Observation

Audit Observation	Comment of the Sabha	Recommendation
The solid waste had not been properly sorted and collected and dumped in the unfenced dumping ground at Nattankandal. Various animals ate this garbage and their parts had been scattered around the environment.	That actions are being taken to construct a fence around the garbage disposal site and sort the garbage.	Appropriate actions should be taken to convert the decomposable waste into organic fertilizers or other alternative uses.