

Mannar Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Mannar 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 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 financial statements give a true and fair view of the financial position of the Mannar 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

I expressed qualified opinion 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 Sub 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 Requirements

National Audit Act, No. 19 of 2018 include specific provisions for 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 the recommendations made by me in the previous year as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observations	Comments of the Sabha	Recommendations
(a) Net interest income Rs. 398,969 had not been shown in the financial statements for the year under review.	It will be settled in the accounts for the year 2024.	Financial statements should be prepared accurately.
(b) Distress loan amounting to Rs. 750,000 had been shown as expenditure and sundry creditors in the financial statements without being paid the loan to 03 officers.	These erroneous procedures will not be repeated in future.	-Do-
(c) Balance of consumable items aggregating to Rs.1,455,748 had been shown as current assets in the balance sheet as at 31 December 2023 and Lawyer fee and stamp duty amounting to Rs. 100,000 pertaining to acquisition of a land erroneously had been shown as recurrent expenditure	It will be settled in the accounts for the year 2024.	-Do-

1.7 Non-compliances

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

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Council	Recommendation
Financial Regulations 571(1), (2) and (3) of the Democratic Socialist Republic of Sri Lanka	35 lapsed deposits exceeding 02 years amounting to Rs. 407,620 had not been settled.	Actions will be taken to transfer to revenue.	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. 20,004,324 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 33,728,619 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 presented by the Sabha, information 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	Total arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rate and tax	92,318	92,318	3,168	179,582	92,318	92,318	1,886	90,432
Rent	12,616,338	11,497,067	11,329,586	4,046,564	13,030,657	12,795,086	12,275,042	3,879,083
License Fees	935,500	12,831,500	12,831,500	-	2,460,650	1,375,359	1,375,359	-
Other revenue	18,333,061	17,953,168	1,098,408	23,442,162	13,532,660	27,631,877	27,631,877	6,587,402
Total	31,977,217	42,374,053	25,262,662	27,668,308	29,116,285	41,894,640	41,284,164	10,556,917

2.2.2 Performance in Revenue Collection

	Audit Observations	Comments of the Sabha	Recommendations
(a)	Action had not been recover the Rates, Rent on JCB, motor rller and motor grinder aggregating to Rs.3,976,766 during the period from 02 to 13 years.	Contineous action is being taken.	Appropriate actions should taken to recover properly.
(b)	Court fine aggregating to Rs. 23,442,162 had not been recovered during the period from 01 to 03 years.	Request letter had been forwarded to release the court fine.	-Do-

3. Operating Review

3.1 Management Inefficiencies

	Audit Observations	Comments of the Sabha	Recommendations
(a)	17 Land belonging to the sabha had not been valued and brought to the accounts over 12 years.	It will be accounted once soon after obtain the recommendation and valuation.	Accounts should be prepared accurately.
(b)	Action had not been taken to engage in revenue generating sources for the balance of Rs.55,728,840 available in the current account of the bank.	Actions are being taken to deposit to fixed deposit account.	Actions should be taken to engage in the revenue generating sources.

3.2 Assets Management

	Audit Observations	Comments of the Sabha	Recommendations
(a)	04 vehicles had been idled without being repaired during the period from 07 to 10 years.	Conteneous actions are being made inthis regard.	Assets should not be allowed to be under utilised.
(b)	03 vehicles valued aggregating to Rs. 1,310,000 had been utilised by the sabha with out being taken action to obtain the ownership	Necessary actions are being taken to transfer the ownership.	Action should be taken to not to kept the assets without being utilised.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Council	Recommendation
Due to the fact that there were variations from 43 per cent to 175 per cent in 04 revenue items, from 17 per cent to 74 per cent in 06 expenditure items and 733 per cent in one capital expenditure item when comparing the estimated revenue and expenditure with the actual revenue and expenditure according to the budget prepared for the year under review, the budget had not been used as an effective management control tool.	Action will be taken to prepare without being deficiencies in future.	Needs should be identified and the budget should be prepared carefully.

4.2 Environmental Issues

Audit Observation	Comment of the Sabha	Recommendation
Even though a sum of Rs. 22,682,412 had been paid for the activities of disposal of solid wastages for the year under review, actions had not been taken to obtain the Environmental license for disposal location or to collect by categorising or to recycling them.	Actions are being taken to obtain the environmental license, to separate and recycling the solid wastages.	Solid wastages should be managed effectively.