

Manthai West Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manthai West 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 Manthai 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 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) Stocks amounting to Rs.227,303 kept in the General stores had not been shown as current assets in the financial statements at the end of year under review.	Action will be taken to express in the statement of financial position without being occurred this mistake in future	Financial statements should be prepared accurately.
(b) 23 consumable items purchased aggregating to Rs.73,680 during the year under review and immediate preceeding year had been shown as fixed assets in the financial statements.	Action will be taken to correct in the statement of financial position in forthcoming financial years.	-Do-

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Sabha	Recommendation
Arrears of Service charges amounting to Rs.483,500 could not be satisfactorily ascertained due to non availability of evidences over 10 years.	Action had been taken to obtain an approval to write-off this service charge.	Action should be taken to maintain and update the ledgers.

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. 31,471,586 as compared with the excess of revenue over recurrent expenditure amounted to Rs.25,840,937 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	-	500	500	-	-	500	500	-
Rent	8,287,781	8,765,823	8,411,983	528,115	8,012,280	6,280,450	6,106,175	174,275
License Fees	869,500	1,214,270	1,214,270	-	808,000	836,100	836,100	-
Other revenue	6,927,300	15,028,234	14,610,949	6,793,085	14,191,180	16,126,618	8,259,755	6,550,075
Total	<u>16,084,581</u>	<u>25,008,827</u>	<u>24,237,702</u>	<u>7,321,200</u>	<u>23,011,460</u>	<u>23,243,668</u>	<u>15,202,530</u>	<u>6,724,350</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
Action had not been taken to recover the rates in terms of Section 134 (i) of Pradeshiya Sabha Act No. 15 of 1987.	Action will be taken to recover the rates by implementing this Pradeshiya Sabha Act in future.	Meaningful action should be taken to recover the rates.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observations	Comments of the Sabha	Recommendations
(a) 03 Development works valued aggregating to Rs. 3,582,000 implemented from Development Reserve Fund of the Sabha had been abandoned.	Specified works will be carried out in the specific years in future.	Action should be taken to complete the specific development works on time.
(b) Action had not been taken to engage in revenue generating sources for the balance of Rs. 39,940,562 available in the current account.	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) 63 Lands and 42 Buildings had been revalued at an aggregating to Rs.452,710,000 by the committee appointed by the Regional Assistant Commissioner of Local Government had been shown in the financial statements without being taken action to be revalued by the Government Valuation Department.	Activities on Land and Buildings will be made as continuous action in future.	Accounts should be prepared accurately.
(b) Action had not been taken to utilise the 07 repaired and usable vehicles of Sabha and allowed to be kept in the store without being taken action over 11 years.	Action will be taken for sale in future.	Actions should be taken to not keep 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 23 per cent to 117 per cent in 05 revenue items, from 17 per cent to 44 per cent in 06	Action will be taken to prepare without being deficiencies in future.	Needs should be identified and the budget should be

expenditure items 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.

prepared carefully.

4.2 Environmental Issues

Audit Observation

03 machines to prepare the biodegradable fertiliser purchased to Rs. 2,950,000 had not been utilised for the intended activities.

Comment of the Sabha

Preliminary activities for the construction of buildings will be made in future.

Recommendation

Actions should be taken to not to kept the assets without being utilised.