Manmunai South West Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manmunai South West Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, 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 in sub-section 10(1) 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 South West Pradeshiya Sabha as at 31 December 2024, 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
Receivable rent income of Rs. 271,030 had not been shown in the financial statements.	There are difficulties in collecting these arrears due to some problems among the parking stations and appropriate action will be taken to collect the arrears.	Immediate action should be taken to show the receivable income 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, fixed asset registers, title deeds and other documents of 04 account balances amount of Rs. 59,625,995 had not been submitted to the audit.	Actions will be taken to complete the deficiencies.	Action should be taken to obtain the evidence and maintain the documents.

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-compliances	Comments of the Council	Recommendations
(a)	Pradeshiya Sabha Act No. 15 of 1987			
(i)	Sub-Section 24(1)(b)	253 roads belonging to the Council had not been published in the gazette.	Actions have been taken to publish the names of the roads in the gazette.	Action should be taken to publish the roads in the gazette.
(ii)	Sub-Section 128	No action was taken to take over the ownership of 29 properties used by the Council.	Action is currently being taken to acquire the 29 lands using by the Council.	Action should be taken to identify and acquire the property.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
	Financial Regulation 371(5)	Although, the advance payments of Rs. 310,152 had been made and completed the works, it had not been settled from 02 months to 02 years.	Actions will be taken to settle the advance amounts.	Action should be taken to recover the advance payments within the particular period.

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 2024 amounted to Rs. 4,200,026 against the excess of expenditure over revenue amounted to Rs. 9,785,540 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 council, 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	2024 Estimated Revenue	2024 Revenue billed	2024 Revenue Collected	2024 Arrears as at 31 December	2023 Estimated Revenue	2023 Revenue billed	2023 Revenue Collected	2023 Arrears as at 31 December
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
i.	Rates and Taxes	1,183,850	1,456,587	1,435,087	21,500	10,051,250	2,860,870	2,736,175	124,695
ii.	Rent Income	5,262,800	551,350	551,350	-	1,141,100	783,115	783,115	-
iii.	License Fees	774,500	876,800	876,800	-	1,925,250	3,100,200	3,100,200	-
iv.	Other revenue	23,225,000	31,826,638	8,967,850	22,858,788	7,394,000	26,895,984	9,075,464	17,820,520
	Total	30,446,150	34,711,375	11,831,087	22,880,288	20,511,600	33,640,169	15,694,954	17,945,215

2.2.2 Performance of Revenue Collection

	Audit Observations	Comments of the Council	Recommendations
(a)	**Rent**		
	The Council had spent Rs. 200,030 for a contractor for the culvert work at Kevaliyanmadu under the PSDG project in 2023. However, Council had not taken any action to recover the same.	Action are being taken to recover the vehicle rental from retention money, it had hired for the contract works under the PSDG project,	Action should be taken to recover the amount.
(b)	**Other income**		
	Trade license fee and outstanding water charges totaling Rs. 83,268 had not been collected by the end of the year under review.	A mobile service program has been organized to collect water bill arrears.	Action should be taken to collect the water bill arrears.
(c)	**Court fine and stamp duty**		
	The court fine and stamp duty due from the Chief Secretary of the Provincial Council and other officials as on 31st December 2024 are Rs. 3,082,000 and Rs. 22,583,000 respectively.	Actions are being taken to collect the outstanding amount.	Immediate action should be taken to recover the outstanding.

3. Operational Review

3.1 Management inefficiencies

	Audit Observations	Comments of the Council	Recommendations
(a)	As per the section 10 of the Right to Information Act, No. 12 of 2016, the Council had not submitted the annual reports for the years 2017 to 2024 to the Commission of the Right to Information.	Action had been taken to send the delayed report.	As per the act, action should be taken to submit the annual reports to the Commission of the Right to Information.
(b)	All relevant documents should be checked while granting approval for the building. However, approvals had been made without any documents for the buildings of the library at Muthalaikkuda, computer training center and Cultural and multipurpose hall.	Action will be taken to provide the documents with verification.	As per legal requirements, action should be taken with verification of the documents.

3.2 Idle or under utilization

Audit Observation	Comment of the Council	Recommendation
The Council had not been taken any action to utilize the 02 machineries at Solid Waste Management Center, these were purchased for fertilizer production.	Actions are currently being taken to utilize the Multi Chopper Machine and the Rotating strainer for the fertilizer production. .	Action should be taken to utilize for the intended purpose.

3.3 Assets Management

	Audit Observations	Comments of the Council	Recommendations
(a)	Action had not been taken to transfer ownership of 15 vehicles are being in the name of other Ministries and Departments.	Action will be taken to transfer the ownership of the 15 vehicles belonging to the council.	Action should be taken to transfer ownership of vehicles to the council's name.
(b)	Although the Pradeshiya Sabha building was constructed on 73 acres of land owned by an individual not belonging to the council 10 years ago, the land had not been transferred to the Council.	Action has been taken to transfer the ownership to the Council.	Action should be taken to identify and acquire the property.

(c)	No action had been taken by the Council to repair the four machineries, which have not been in the running condition for long years.	Action had been taken to repair.	Action should be taken to use or dispose the assets.

3.4 Human Resource Management

	Audit Observations	Comments of the Council	Recommendations
(a)	Action had not been taken to fill the 16 vacancies approved by the Department of Management Services.	A letter has been sent to the Commissioner of Local Government to fill the vacancies.	Action should be taken to fill the vacancies.
(b)	Although, 03 and 06 months courses are being conducted by the computer training center at Muthalaikkuda, Council had not been taken action to appoint the permanent trainer over 10 years.	A request letter has been sent to the Department of Management Services for permanent trainer to teach the 03 and 06 months courses.	Action should be taken to recruit a permanent trainer for the computer training center that has been conducted for a long time.

4. Accountability and Good Governance

4.1 Environmental Issues

Audit Observation	Comment of the Council	Recommendation
As per the Section 23(b) of the Environment Act, No. 47 of 1980, Council had not been obtained the environmental protection license for Waste Management Center located at Mawadi Munmari, for disposal or burning the wastage.	Action had been taken to obtain an environmental protection license.	Appropriate action should be taken against institution, that have not obtained environmental protection license.