

## **Mannar Pradeshiya Sabha - 2021**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Mannar Pradeshiya Sabha including the financial statements for the year ended 31 December 2021 comprising the Statement of financial position as at 31 December 2021, 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the Provisions of the 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 accompanying financial statements give a true and fair view of the financial position of the Mannar Pradeshiya Sabha as at **31 December 2021**, 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, and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Report on Other Legal Requirements**

The National Audit Act No. **19** of **2018** contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section **6 (1) (d) (iii)** of the National audit Act No. **19** of **2018** corresponded with the Financial Statements of the previous year.

- (b) In accordance with the requirement referred to in Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

## **1.6 Audit observations regarding the preparation of financial statements**

### **1.6.1 Accounting Policies**

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) During the period from 2006 to 2017, the value of 783 items of non-current assets received as donations to the council had not been assessed and included in the financial statements.	Will be corrected in the final accounts of the year 2022.	The action should be taken to account all assets
(b) The butchery which cost of Rs.1,000,000 constructed in the year 2017 had not been included in non-current assets.	Will be corrected in the final accounts of the year 2022.	-do -
(c) 15 lands used by the council had not been re valuated for more than 10 years.	As the first stage, the Land Survey Department officials have done the land survey where the local council head office is located. Later, further action will be taken in other lands and corrected in the final accounts.	The action should be taken to re-valuate the Assets

### **1.6.2 Lack of documentary evidence for audit**

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
The corroborating evidence had not been submitted for the arrears of income amounting to Rs.1,044,484 shown in the financial statements before the year 2017.	The efforts are being made to obtain corroborative evidence regarding those arrears of income..	The revenue should be collected promptly and records should be updated.

## **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 2021 amounted to Rs. 11,707,367 as compared with excess of revenue over recurrent expenditure amounted to Rs. 15,089,045 in the preceding year.

## 2.2 Revenue Administration

### Performance of Revenue collection

<b>Audit observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
The arrears of Rs. 2,570,282 between 02 and 07 years old vehicles and butcher shop rents had not been collected.	Efforts are being made to take legal action against the butcher shop renters and to recover the vehicle rentals, even if there are deficiencies in the documents.	Relevant legal measures should be taken and the arrears should be collected immediately.

## 3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

### 3.1 Operational in efficiencies

<b>Audit observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
By-laws regarding important activities in terms of Section 126 of the Local Council Act were not established till 31 December 2021.	The action is being taken in this regard .	Necessary by-laws should be established without delay.

### 3.2 Asset Management

<b>Audit observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) 05 vehicles valued at Rs. 3,945,000 owned by the council were idle for more than 05 years without repair.	As these assets cannot be repaired and used, approval has been received from the Assistant Commissioner of Local Government for destruction or sale and further action is being taken.	Measures should be taken to avoid being assets idle .
(b) Actions had not been taken to take over the ownership of 11 vehicles valued at Rs.4,030,000 in use.	Further steps have been taken to transfer it to the name of the council.	Actions should be taken to take over the ownership of the assets without delay.