

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Koralai Pattu Pradeshiya Sabha including the financial statements for the year ended 31 December 2022 comprising the Balance Sheet as at 31 December 2022, 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 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 Koralai Pattu Pradeshiya Sabha as at 31 December 2022, 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

1.3

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.

1.4 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.

1.5 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.

- 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 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
(a) The value of 3401 books worth Rs. 1,077,106 received as donations in the year under review had not been accounted.	That this will be dealt with in the future.	Donated books should be shown in the accounts as assets.
(b) Solid waste disposal tax to be collected of Rs. 5,215,000 from 12 tourist hotels and Rs. 188,884 to be collected from Korlai Pattu Divisional Secretariat had not been accounted.	- Do -	Arrears of income should be shown as assets.
(c) At the end of the year under review, 145 unvalued consumer goods and Rs. 176,649 worth of light bulbs had not been shown in the financial statements.	- Do -	Should be shown as an asset in the inventory accounts.

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| (d) The solid waste fee payable of Rs. 139,825 in the year under review for the disposal of polythene and plastic waste at the Koduwamadu Solid Waste Center of Eravur Patthu Pradeshiya Sabha had not been shown in the financial statements. | - Do - | The amount to be paid should be shown as a liability. |
| (e) According to the Board of Survey - 2020, at the end of the year under review, 165 types of commodities were auctioned at a value of Rs. 63,049 but their value had not been assessed and removed from the financial statements. | - Do - | The correct value of the assets should be shown in the accounts. |
| (f) From the year 2020 to the end of the year under review, the tourist hotel tax revenue to be collected amounting to Rs. 600,000 had not been shown in the financial statements. | That it will be included in the next financial year. | Arrears of income should be shown as assets. |
| (g) The business license fees to be collected from 05 private telephone companies from 2019 to 2021 amounting to Rs. 138,000 had not been shown in the financial statements. | That will be corrected. | Arrears of income should be shown as assets. |

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, 06 account balances worth Rs. 25,548,271 could not be satisfactorily monitored during the audit due to non-submission of land deeds, fixed asset registers, and documents proving ownership.	That the records are maintained in respect of assets and deficiencies will be corrected.	Documents of the assets should be obtained and documented.

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-compliance	Comments of the Council	Recommendation
(a)	Section 24 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the Batticaloa District Local Government Commissioner's letter No. BT/ACLG/PL/Road/2013 and dated 10 July 2013	The Council's roads had not been published in the Gazette till the date of audit.	That will be done.	Actions should be made to publish the roads in the Gazette.
(b)	Section 3 of the Cemeteries and Burial Grounds Ordinance, in terms of Section 127 of the Pradeshiya Sabha Act No. 15 of 1987	Although the council had given approval for the construction of 36 memorial monuments in the public cemetery in the year under review, the council had not been maintained a register related to the construction of memorial monuments.	That the deficiencies will be corrected.	Registers should be maintained regarding the granting of permission for the construction of memorials monuments.

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 2022 amounted to Rs. 60,660,398 as compared with excess of revenue over recurrent expenditure amounted to Rs. 22,693,671 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

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	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
i. Rates and Taxes	1,790,000	873,150	873,150	-	1,700,000	458,628	458,628	-
ii. Rent Income	11,934,000	8,230,835	7,620,649	18,399,540	14,507,000	4,123,184	5,418,006	17,789,354
iii. License Fees	3,764,000	6,203,421	6,202,421	-	3,719,000	5,293,805	5,293,805	-
iv. Other revenue	<u>32,838,000</u>	<u>82,331,253</u>	<u>76,882,874</u>	<u>7,954,014</u>	<u>28,130,000</u>	<u>82,770,683</u>	<u>81,760,048</u>	<u>2,505,635</u>
Total	<u>50,326,000</u>	<u>97,638,659</u>	<u>91,579,094</u>	<u>26,353,554</u>	<u>48,056,000</u>	<u>92,646,300</u>	<u>92,930,487</u>	<u>20,294,989</u>

2.2.2 Revenue Collection Performance

Following are observations on the performance of all revenue collections of the council.

Audit Observation	Comment of the Council	Recommendation
<p>(a) Rent Income</p> <p>From the year 2013 to the end of the year under review, arrears of tax rent income of Rs. 16,445,871 had not been recovered.</p>	That will be corrected.	Actions should be taken to recover the arrears of rent.
<p>(b) License Fee</p> <p>(i) During the year under review, trade license fee receivables from 87 business entities amounted to Rs. 130,500 had not been collected by the council.</p> <p>(ii) According to Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, although a license fee not exceeding one per cent of the gross</p>	- Do -	Trade license fees to be collected for the year should be collected from business entities.
	- Do -	Revenue should be recovered as per the Act.

trade income from hotels, restaurants and lodgings which are registered under Tourism Board should be collected, a fixed license fee of Rs. 100,000 had been collected from 14 registered tourism service providers in the council area, the revenue had not been collected as per provisions of the Act.

(c) Stamp Duty

The stamp duty receivables from the Chief Secretary of the Provincial Council and other officials on 31 December 2022 was Rs. 7,417,241.

- Do -

Actions should be made to collect stamp duty income.

(d) Other Revenue

According to the rent agreement, 10 percent of penalty had not been charged for the outstanding rent of Rs 17,082,390 as late fees.

- Do -

Actions should be made to levy fines.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Although there were 33 registered community centers in the council, only 13 were functional. Actions had not been taken to upgrade non-functional community centers to functional status.	That the necessary actions have been made.	Actions should be made to improve the functioning of community centers
(b) In 2021 and the year under review, the computers and accessories received as donation from Batticaloa Assistant Local Government Commissioner office had not been valued and shown as an asset in the financial statements.	That will be corrected.	Donations should be shown in asset accounts.

3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
For more than five years, the council had not been repaired the 14 vehicles owned by the council that needed to be repaired.	That repairs are being made.	Vehicles should be repaired.

3.3 Delays in execution of activities

Audit Observation	Comment of the Council	Recommendation
An amount of Rs. 750,000 received in the year 2017 for development activities had been kept in the deposit account at the end of the reviewed year without being used for the relevant purposes.	That projects are being completed promptly.	Projects should be completed within the relevant period.

3.4 Procurement Management

Audit Observation	Comment of the Council	Recommendation
According to No. 4.2.2 of the 2006 Government Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka, procurements amounting to Rs. 11,015,050 had been made on 55 occasions without preparing a procurement schedule in the year under review.	That will be corrected.	The procurement schedule should be prepared as per procurement guidelines

3.5 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) Employee Vacancies and Excess There were 28 vacancies and 04 excess in 08 posts of approved staff in the Department of Management Services.	That this will be dealt with.	Actions should be made to fill up employee vacancies and regularize excess.

(b) Employee Loans

For the last 10 years, necessary actions had not been made to recover Rs. 204,573 outstanding in connection with disaster loans and other loans given to the staff by the council.	That the deficiencies will be corrected.	Outstanding employee loans should be recovered.
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4. Accountability and Good Governance

Environmental Issues

Audit Observation	Comment of the Council	Recommendation
As per the National Environmental Protection Act No. 47 of 1980, as amended by Act No. 56 of 2000, an Environmental Protection Permit for the Solid Waste Facility had not been obtained till the end of the year under review.	That the deficiencies will be corrected.	Actions should be made to obtain environmental protection permits.