

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Koralai Pattu West Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Balance Sheet as at 31 December 2023, 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 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 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.

- 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
The value of 167 books of Rs. 50,815 which the council received as donations in the year under review was not shown in the financial statements.	The value of donation books will be shown in the future year.	Action should be taken to show the donation books in the financial statements.

1.6.2 Documentary evidenced not made available for Audit

Audit Observation	Comment of the Council	Recommendation
Lands deeds, fixed assets register, assets documents and title confirmation documents had not been submitted for audit, regarding 06 assets balances amounted to Rs.47,598,405 shown in the financial statement as at 31 December of the year under review.	Action will be taken for valuation of the fixed assets and documentation.	Action should be taken to obtain written evidence of assets and to record them in registers.

1.7 Non- Compliances

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

Observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. are shown below.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i) Section 371(2) (b)	Advance payments amounted to Rs. 224,250 made five times by the Council for the Solid Waste Management Center. Even though, action had not been taken to recover over 05 years.	Actions will be taken to adjust the advance amount.	Action should be taken to recover the advance payments.
(ii) Section 571 (1), (2) & (3)	Deposits of Rs. 400,558 from 04 persons, which were lapsed two years, had not been disposed.	Proper action has been taken	Action should be taken adjust the lapse deposit.

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. 1,245,454 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 1,903,574 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 chairman, 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	2023				2022			
	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	2,200,000	12,527,837	589,933	11,937,904	1,800,000	393,691	393,691	11,937,904
ii. Rent Income	7,375,369	7,470,046	6,953,493	516,552	7,808,877	6,400,693	6,678,734	1,044,310
iii. License Fees	3,775,000	4,497,586	3,333,186	1,164,400	4,575,000	3,320,865	3,541,165	1,212,360
iv. Other revenue	5,593,000	3,970,441	3,970,441	-	18,380,000	49,545,087	46,043,661	3,501,426
Total	18,943,369	28,465,910	14,847,053	13,618,856	32,563,877	59,660,336	56,657,251	17,696,000

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
Action had not been taken to collect the rate tax arrears amounting to Rs. 11,937,904 from paper factory at Valaichchenai, over 25 years.	Steps are being taken to recover the arrears from paper factory through the head of the department.	Actions should be taken to collect the long term rate tax arrears.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Excavator had been purchased with the purpose of "Increasing Sabha Income" at a cost of Rs. 10,950,000 under the Local Loan Development Fund and Sabha fund in 2017. Even though, excavator had been used only for	This matter is under the COPA and no income has been generated through this vehicle. Also, We are unable to settle the loan due to the poor financial condition of the Council.	Action should be taken to settle the LLDF loan amount.

Solid Waste Management work without earning rent income. Hence, Council has to be pay the loan amount of Rs. 5,818,962 including interest, even if repayment period for the loan has been completed in the month of March 2022.

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| <p>(b) According to the guideline no. 1.2(f) of Ministry of Provincial Councils and Local Government circular No.PL/7/1/8/11 dated 08 December 2004. The rent value of the shops should be revised once in 05 year. Even though, rent value of the 10 shops had not been revised after 2017.</p> | <p>The rent for the shops had been assessed and given with the contract agreement for 03 years.</p> | <p>Action should be taken to revise the rent value of the shops.</p> |
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3.2 Idle or underutilized Property

Audit Observation	Comment of the Council	Recommendation
<p>(a) Although 15 vehicles including tractors and bowsers donated by other government agencies are being used by the council, no action has been taken to transfer them to the name of the council.</p>	<p>Actions will be immediately taken to transfer the ownership of the vehicle.</p>	<p>Actions should be made to take over the vehicle as an asset of the council.</p>
<p>(b) Vehicle repair center had been constructed at a cost of Rs. 730,000 under the LDSP project in 2022 and 24 nos. of service center instruments had been purchased at cost of Rs. 303,150 had not been used till the end of the year under review.</p>	<p>Necessary actions have been taken by the council to complete the vehicle repair center.</p>	<p>Actions should be taken to utilize the assets for the intended purpose.</p>

3.3 Delays in Project Activities or Capital work

Audit Observation	Comment of the Council	Recommendation
Solid Waste segregation center at Soodupaththinasenai under the fund of the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government in 2021, had been started delay and had not been completed till now. Even though, construction had been ended up with the mutual agreement with contractor even after the completion of the value of Rs.2, 915,720 foundation works only.	Efforts made by the Council to complete this project had not been fruitful.	Action should be taken to complete the construction of solid waste segregation center.

3.4 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) As per the approved cadre of the Department of Management Services, there were 08 vacancies including 05 vacancies at primary level and 03 vacancies at secondary level	Appropriate action will be taken in this regard.	Action should be taken to fill the vacancies.
(b) Chapter XXIV of Establishments Code of the Democratic Socialist Republic of Sri Lanka, section. 4.4 and; According to Clause 1.1.6 of the National budget Circular No. 118 dated 11th October 2004, no action has been taken for the settlement of the loan balances of Rs. 110,977 and Rs. 16,833 respectively, of those who served in the council and died and transferred.	Proper action have been taken to collect.	Actions should be taken to recover the staff loan.

4. Accountability and Good Governance

4.1 Action plan action

Audit Observation	Comment of the Council	Recommendation
According to the annual action plan implemented by the council, an amount of Rs. 215,550,000 was estimated through the annual budget for the 19 activities that were to be prepared by the council, but those activities were not completed due to the lack of financial arrangements.	Due to the financial crisis in the past years, it was not possible to make proper financial arrangements.	Actions should be taken to provide financial arrangements for 19 activities to be prepared by the Council as per Annual Action Plan.

4.2 Environmental issue

Audit Observation	Comment of the Council	Recommendation
03 No action has been taken to renew the expired environmental License in accordance with the National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 and the Ordinances in force thereunder. Also, according to the above legal ordinance and section (B) of special gazette No. 2264/18 dated January 27, 2022 the environmental License for the slaughter house has not been obtained.	Due to the financial crisis in the past years, it was not possible to make proper financial arrangements.	The concerned parties have been notified and steps are being taken to obtain a response.