

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 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 West 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

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
(a) The accounting policies followed by the Council have not been disclosed in the financial statements in the year under review.	The accounting policies will be shown in the financial statements in future year.	Accounting policies should be shown in the financial statements.
(b) Payable Employees Provident Fund and Employees Trust Fund amounted to Rs.18,195 as at 31 December year under review, had not been shown as payable in financial statements.	That will be corrected in the future.	Payable should be shown in the financial statements.
(c) Assistant Commissioner of Local Authorities, Batticaloa, had paid amount of Rs.494,748 for obtain the electricity for Solid Waste Management Centre during the year under review, had not been shown as liability in the financial statements.	That amount will be shown as liability in the financial statements.	Current liabilities should be shown in the financial statements.

- (d) Receivable fuel expense amount of Rs.253,467 from 02 Divisional Secretariats for the supply of drinking water during the year under review, had not been shown as assets in the financial statements. It will be solved in the future year. Arrears should be shown as assets 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) Section 24 (1) of the Pradesha Sabhas Act No. 15 of 1987 and the Assistant Commissioner of Local Government, Batticaloa, letter No. BT/ACLG/PL/Road/2013 dated 10th July 2013	A total of 277 roads had been identified by the Council. Even though, they had not been published in the Gazette.	Actions have been taken to publish the roads in the Gazette.	Actions should be made to publish the roads in the Gazette.

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| (b) | Section 50 of the Electricity Act No. 20 of 2009 | Temporary power connection have been provided for 30 shops out of 40 in the fish market contrary to the Act. | Actions will be taken to get new power connections for the shops, which have not received power connections. | Action should be taken as per Act. |
| (c) | Circular No. 29 dated 02 March 2020 of the Urban Development Authority of the Ministry of Urban Development, Water Supply and Housing | Although the approval of building plans should be completed within 14 days, the council had been approved the building plans with a delay of 01 to 10 months in the reviewed year. | Action will be made for immediate building approval in future. | Actions should be made for immediate approval of building plans. |

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2022 amounted to Rs. 1,903,574 against the excess of revenue over recurrent expenditure amounted to Rs. 1,384,985 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	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	1,800,000	393,691	393,691	11,937,904	2,000,000	203,087	203,087	11,937,904
ii. Rent Income	7,808,877	6,400,693	6,678,734	1,044,310	6,905,010	4,770,541	4,727,480	1,322,352
iii. License Fees	4,575,000	3,320,865	3,541,165	1,212,360	4,600,000	3,225,570	2,157,320	1,432,660
iv. Other revenue	18,380,000	49,545,087	46,043,661	3,501,426	6,950,000	39,830,698	39,830,698	--
Total	<u>32,563,877</u>	<u>59,660,336</u>	<u>56,657,251</u>	<u>17,696,000</u>	<u>20,455,010</u>	<u>48,029,896</u>	<u>46,918,585</u>	<u>14,692,916</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>Stamp duty</p> <p>-----</p> <p>Stamp duty amounted to Rs.5,734,810 from the Chief Secretary of the Provincial Council and other authorities was due as at 31 December year under review.</p>	Answer had not given	Action should be taken to collect the stamp duty.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) According to Public Circular No. 1769 issued by the Deputy Director General of the Director General of Health Services dated 30 September 1992, even though a Public Health Inspector can create plans of a building only for single-storied houses,	Action will be taken after the consideration of the matter.	It should be proceeded as per the circular.

15 plans for two-storied buildings drawn by the Public Health Inspector during the year under review had been approved by the council.

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| (b) | As per the report of the Board of Survey in 2018, 3,225 books had missed in Oddamavady Public Library. Even though, their value had not been assessed and removed from the financial statements. | It will be proceeded in the future year. | The value of the lost books should be removed from the financial statements. |
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3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
(a) Action had not been taken to repair the SOLAR inverter, it had been used by the Solid Waste Management Center.	There was a delay in carrying out the repair works due to the unavailability of the spare parts for the SOLAR inverter.	Action should be taken to repair the machineries.
(b) The ownership of the 08 vehicles that had been donated to the council from other government institutions, had not been transferred to the council.	Necessary actions will be immediately taken to transfer the ownership of the vehicle.	Actions should be made to take over the vehicle as an asset of the council.

3.3 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
Employee vacancies and Excess		
There were 05 vacancies and 03 excess in 07 posts of approved staff in the Department of Management Services.	Appropriate action will be taken in this regard.	Action should be taken to fill the vacancies and adjust the additional staff.

4. Accountability and Good Governance

4.1 Environmental Observations

Audit Observation	Comment of the Council	Recommendation
As per section 'B' of National Environment Act No. 47 of 1980 and Special Gazette No. 2264/18 dated 27.01.2022 as amended by Act No. 56 of 1988, Act No. 53 of 2000 and Act No. 01 of 2008, Environment Protection License had not been obtained for slaughter house .	Actions are being taken to obtain the environmental protection license promptly.	Action should be taken to issue the environmental protection license.