

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Koralai Pattu North 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 North 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
(a) In the year under review, Mankeni library repair costs Rs.499,109, JCB machine repair costs Rs.296,280 and Kayankeni seafood sales center (Sea food sales store) opening ceremony costs Rs.143,670 were accounted as capital expenditure.	Action will be taken to adjust in the accounts in the future year.	Action should be taken to adjust the accounts.
(b) Receiveable amounted to Rs.109,863 from Koralaipattu North Divisional Secretariat for supplying the drinking water for public during the period of drought, has not been brought to the accounts.	The amount will be taken into account only when the amount is refunded.	Receiveable should be disclosed in the financial statemets.

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 07 assets balances amounted to Rs. 302,085,077 shown in the financial statement as at 31 December of the year under review.	Action will be taken to obtain documents of the assets.	Action should be taken to obtain the documents of assets and record them in register.

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)	Pradesha Sabhas Act No. 15 of 1987			
(i)	Sub-section 19(1)(XXIV)(b)	Prior approval of the Minister had not been obtained for mining the sand and selling the sand.	According to the decision of the Council, the price had been decided for mining and sale of the sand.	Prior approval of the Minister should be obtained for mining and sale of the sand.
(ii)	Section 24(1)	A total of 157 streets had been identified by the Council. Even though, they had not been published in the gazette.	Action will be taken to gazette in future year.	Actions should be made to publish the roads in the gazette.
(b)	Section 371(2) (b) of Financial Regulation of the Democratic Socialist Republic of Sri Lanka	Advance payments amounted to Rs. 255,000 made by the Council for the period of 2018, 2021 and year under review, which had not been settled up to the end of the year under review.	Actions will be taken to adjust the advance amount.	Action should be taken to recover the advance payments.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent income over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 5,855,358 against the excess of recurrent expenditure over recurrent income amounted to Rs. 3,133,210 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	1,200,000	2,124,668	928,762	1,195,906	1,700,000	753,593	715,117	951,006
ii. Rent Income	4,421,200	3,254,390	2,560,940	693,450	5,300,000	2,008,130	1,645,780	1,029,250
iii. License Fees	880,500	1,391,300	1,346,300	45,000	755,000	948,550	973,550	82,000
iv. Other revenue	3,800,000	1,392,677	993,727	384,000	15,406,000	29,523,363	30,018,070	434,000
Total	<u>10,301,700</u>	<u>8,163,035</u>	<u>5,829,729</u>	<u>2,318,356</u>	<u>23,161,000</u>	<u>33,233,636</u>	<u>33,352,517</u>	<u>2,496,256</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
(a) Action had not been taken to collect the outstanding amount of Rs. 444,100 from the lessees in connection with the rental of JCB machines in the years 2021 and 2022.	Necessary actions are being taken to recover the amount from the tenants.	Action should be taken to collect the arrears of JCB rental income.
(b) Action had not been taken to collect the arrears of sand sales amounted to Rs. 234,000 from community centers of Panichannkeni and Vaharai- Central over 02 years.	Actions are being taken to collect the sand sales arrears from Community centers.	Action should be taken to recover the dues of sand sale revenue.

- (c) Action had not been taken to collect the water bill arrears of Rs.237,509 from Community Drinking Water Scheme of Madurangeni and Alangulam. Council is taking steps to collect the arrears. Action should be taken to collect the arrears of drinking water bill.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) Action had not been taken to deposit the Rs.500,000 maintained in 03 fixed deposit accounts of People's Bank, as per the new increased rate of interest	Actions are being taken to rectify in future.	Action should be taken to earn the interest income.
(b) Action had not been taken to settle the Employees' Provident Fund and Employees' Trust Fund amounts of Rs.291,237 and Rs.82,427 respectively.	- Do -	Action should be taken to send the contribution of EPF and ETF within proper period.
(c) According to the sub-section 49(a) of the Urban Development Authority Act No. 41 of 1978 and sub-section 49(a) of the Pradeshiya Sabhas Act No. 15 of 1987, Council have the power to authorize the erection of a building within the limits of the Council area. However, approval had been given by the council to erect the building based only on the revised building plans and without any documents related to the building application, land survey, land measurement plan, non-acceptance document certificate and street boundary line certificate.	- Do -	Approval should be given to erect the building after submitting the proper required documents.

3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
(a) 02 computer systems received in the year 2022 remained inactive, but by the end of the year under review, they had not been repaired.	Actions will be taken to repair the computers after receive of the sufficient funds	Actions should be taken to repair the computers.

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| (b) | Council had not been taken any action to repair the 05 vehicles and to remove the 09 unusable vehicles. | Vehicles will be repaired after receive of the sufficient funds. | Actions should be taken to repair and dispose vehicles. |
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3.3 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
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(a) As per the approved cadre of the Department of Management Services, there were 13 vacancies in the Council.	Council is considering the vacancies and excess staffs.	Actions should be taken to fill up the vacancies.
(b) Staff loan amounted to Rs. 211,064 had not been recovered over 10 years from 02 retired and a vacated staffs.	Actions had been taken to recover the loan arrears.	Loan arrears should be recovered from the related employee.
(c) Action had not been taken to pay the pension payment over 12 years to street labour, who was retired in 2011.	Actions are being taken to rectify the deficiencies in the personal file.	Actions should be taken to pay the pension p.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comment of the Council	Recommendation
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According to the para 6 of Management Audit Circular No. DMA/01-2019 dated 2019 January 12, action had not been taken to prepare the internal audit plan and to implement the internal audit activities.	Action will be taken in future.	Action should be taken to implement the internal audit activities.