

**1. Financial Statements**

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**1.1 Qualified Opinion**

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The audit of the financial statements of the Koralai Pattu 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 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**

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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**

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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)**

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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

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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

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comment of the Council	Recommendation
(a) The value of 4,871 books received as donations for the 08 nos. of libraries till the end of the year under review amounting to Rs. 1,690,590 and unvalued 576 books had not been shown as assets 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.
(b) As at the end of the year under review, stocks of 185 types of 3,667 light bulbs valued at Rs 703,498 and 471 light bulbs of 31 types valued at Rs 339,430 were not shown as assets in the financial statements.	Repairs will be made in next year.	Action should be taken to show the value of stocks in the accounts.
(c) A Trade License fee of Rs. 420,000 due from limited companies Dialog, Mobitel and Hutch from 2010 to the end of the review year has not been shown in the financial statements.	The accounts will be made next year.	Action should be taken to show the arrears in the accounts.

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| (d) | According to the Board of Survey - 2022, at the year under review, 94 types of 360 nos. commodities were auctioned. Even though, their cost value had not been disposed from the assets. | In relation to the auctioned goods, their purchase value will be evaluated and steps will be taken to adjust. | Steps should be taken to dispose of the proceeds of the auctioned Items. |
| (e) | A difference of Rs.4, 879,202 was observed between the balances as per financial statements and the cash balances in the registers in respect of 02 items.                               | It will be corrected  | Actions should be taken to correct the deviations                        |

### 1.6.2 Documentary Evidences not made available for Audit

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Audit Observation	Comment of the Council	Recommendation
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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

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

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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
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(a) Sub-Section 24 (1) of the Pradeshiya Sabha Act No. 15 of 1987	740 roads belonging to the council area had not been published in the Gazette.	Actions have been taken to publish the names of the remaining 740 roads in the Gazette.	Action should be taken to publish the roads in the Gazette.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			

- (i) Section 371(2) (b) Advance payments Actions will be Action should be taken  
amounted to Rs. taken to adjust the to recover the advance  
3,344,907 made by the advance amount. payments.  
Council for the solid  
waste management  
center during the last 9  
years. Even though,  
which had not been  
settled up to the end of  
the year under review.
- (ii) Section 571 (1) ,(2) & Deposits of Action should be taken  
(3) Rs. 2,036,374 from 06 too dealt with deposits  
persons, which were of lapsed more than  
lapsed two years, had not two years.  
been disposed.

## 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. 45,931,332 as compared with excess of revenue over recurrent expenditure amounted to Rs. 60,660,398 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	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	1,700,000	1,043,235	1,043,235	-	1,790,000	873,150	873,150	-
ii. Rent Income	11,924,000	30,350,442	9,013,814	21,336,628	11,934,000	8,230,835	7,620,649	18,399,540
iii. License Fees	3,739,000	6,169,256	6,169,256	-	3,764,000	6,203,421	6,202,421	-
iv. Other revenue	27,695,000	11,898,919	11,353,919	545,000	32,838,000	82,331,253	76,882,874	7,954,014
Total	45,058,000	49,461,852	27,580,224	21,881,628	50,326,000	97,638,659	91,579,094	26,353,554

## 2.2.2 Revenue Collection Performance

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

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) According to Gazette Notification No. 1,826 dated 31st August 2013, 12 Grama Niladari Divisions had been declared as developed areas. Even though, no action had been taken for valuation of the assets.	Action will be taken after the approval of the Governor.	Action should be taken to collect the assessment tax.
(b) <b>Rent Income</b>		
(i) No action has been taken to settle the amount of Rs. 1,788,535 due from 58 tenants in connection with renting out shops belonging to the council for more than 02 years.	Appropriate action will be taken to rectify the identified deficiencies.	Action should be taken to settle the arrears of rent.
(ii) From the year 2013 to 2022, arrears of rent income of Rs. 20,019,479 from 55 lessees had not been recovered.	-DO-	-DO-
(iii) No action has been taken to settle the arrears of Rs. 1,317,150 due to the rental of council vehicles for more than 03 years.	-DO-	-DO-
(iv) One beef shop owned by the council and 20 poultry shops on rent have not been taken by the council.	-DO-	Steps should be taken to fully utilize the sources of income of the congregation.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) From 2018 to the end of the financial year, the amount of advance payment is Rs 509,634 without proper approval and council charges It was taken down by the council.	Appropriate action will be taken to correct the deficiencies.	Action should be taken to dispose of the advance income.

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| <p><b>(b)</b> In the year under review and previous years, 20 per cent or more interest was given on fixed deposits, but the sum maintained by the Council in People's Bank and National Savings Bank was Rs. 4,497,520 fixed deposits as per the new interest percentages, there was a loss of interest income of approximately Rs.449,750 by not taking steps to maintain fixed deposits.</p> | <p>In relation to Fixed Deposits, as the deposits are made on a fixed compound interest basis, the specified interest rate is paid and proper steps are taken to rectify the deficiencies.</p>                   | <p>Action should be taken to maintain fixed deposits in line with the new interest rate.</p> |
| <p><b>(c)</b> Section 149 of the Regional Council Act No. 15 of 1987 and the Sri Lanka Tourism Board No. 14 of 1968 of the Tourism Development Board of Sri Lanka required to pay a license fee not exceeding one percent of the total income of the registered restaurant or ice cream parlor. A fixed license fee of Rs. 100,000 is levied annually by the council.</p>                       | <p>It is true that due to the unusual circumstances in the past in the country regarding the licenses of tourist hotels, there have been delays in getting rid of them and now proper steps have been taken.</p> | <p>Action should be taken to waive the license charges of tourist resorts as per law.</p>    |
| <p><b>(d)</b> As per the lease agreements executed by the council, a penalty of 10 percent of the arrears is to be levied from the tenants who do not pay the rent, even if the lease is in arrears for more than 05 years.<br/>Out of the sum of Rs.20, 808,013 no penalty has been levied by the council.</p>   | <p>As per the tenancy agreements executed by the Council, steps will be taken to recover the rent from the defaulting tenants with a penalty of 10 per cent of the arrears.</p>                                  | <p>Steps should be taken to waive penalties on arrears of leases.</p>                        |
| <p><b>(e)</b> 398 Metric Tons of Plastic Waste and 133 metric tons of polythene waste collected annually by the council have not been taken for recycling or alternative use activities and 423 metric tons of digestible waste have not been utilized for the production of rice paddy.</p>  | <p>Last year, even though allocations were made for the expansion of Chetanapasalai Station, it could not be implemented due to lack of sufficient income and proper measures will be taken this year.</p>       | <p>Steps should be taken to recycle solid waste and generate income.</p>                     |

### 3.2 Operational Inefficiencies

----- <b>Audit Observation</b> -----	----- <b>Comment of the Council</b> -----	----- <b>Recommendation</b> -----
(a) In the year under review, out of 328 building applications received by the council, only 156 were approved by the council. The remaining applications were not approved due to reasons such as non-resubmission, land issues, deficiencies in documents and delays by the Road Development Authority.	These will be fixed in future.	Action should be taken to issue building application permits without delay.
(b) As per the Section 15(1) of the Housing and Urban Development Ordinance Act No. 15 of 1915, a Certificate of Occupancy was required to confirm that the building was constructed in accordance with the provisions of the Act, but during the review, 156 development permits were issued for the construction of buildings and only 02 of them were issued with Certificate of Occupancy.	-Do-	Action should be taken to grant permission to building applications without delay.

### 3.3 Idle or under utilized Property

----- <b>Audit Observation</b> -----	----- <b>Comment of the Council</b> -----	----- <b>Recommendation</b> -----
(a) In the year 2022 at the improved Senai solid waste facility under the Local Government Development Assistance Scheme No action has been taken by the council to use the vehicle repair station set up at a cost of Rs 1,200,000 and equipment purchased at a cost of Rs 20,019,478 .	Necessary steps have been taken by the council to complete the vehicle repair station.	Actions should be taken to utilize the assets for the intended purpose.
(b) Action had not been taken over 03 years to use the Multi chopper and rotatable strainer amounting to Rs.1,082,500 these were purchased for usage of the Solid Waste Management.	Machineries will be used after the construction of the elephant fences.	Action should be taken to use the assets.



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| (c) | 14 types of equipment worth Rs. 1,793,646 purchased during the review year for maintenance of vehicle repair station and water pump were found unused in the store room of the council.  | Actions will be taken to utilize the equipment once the vehicle repair station program is completed. | Actions must be taken to use the equipment.             |
| (d) | under Local Government Development Assistance Scheme At a cost of Rs. 16,253,511 container shops constructed and no action has been taken by the council to distribute the constructed 04 container shops to the 16 beneficiaries as per the project proposal up to the date of audited. | This container shops will be provided to the beneficiaries very soon.                                | Actions should be taken to generate income from assets. |

### 3.4 Assets Management

----- <b>Audit Observation</b> -----	----- <b>Comment of the Council</b> -----	----- <b>Recommendation</b> -----
(a) No action has been taken for the last 5 years to repair and reuse the 06 vehicles and 10 tractors machines which are found in broken condition in the council or to sell them at auction.	It will be done in the future.	Action should be taken to repaired Vehicles or disposed.
(b) No steps have been taken to auction or dispose Vehicle which has been found unusable for 10 years.	-Do-	Steps should be taken to dispose of unrepairable tractors.
(c) 02 Pre Schools belonging to the council located near Papaya and Gran Cultural Hall No action has been taken to repair the play equipment found in parks and make it available for use by children.	According to your opinion, steps will be taken to repair the children's parks as soon as possible.	Actions should be taken to repair and reuse non-functional play equipment in children's parks.
(d) Action had not been taken to transfer the ownership of the 13 trailers and 16 vehicles in the name of the other ministries and departments.	Steps will be taken to transfer ownership of the vehicles to the name of the council.	Actions should be taken to take over the vehicles.

### 3.5 Procurement Management

Audit Observation	Comment of the Council	Recommendation
(a) As per the para 02 of of the Eastern Provincial Council Circular No PT/04(01)/2017 , Divisional Procurement Committee done procurement activities for 247 purchases and services with a value of Rs. 20,666,057 were carried out during the review year without obtaining permission from the Department Head.	That will be corrected.	The procurement schedule should be prepared as per procurement guidelines.
(b) As per the para 05 of the Eastern Province Financial Circular dated 21 January, a person concerned with the subject knowledge of the Technical Evaluation Committee (TEC), Although it was supposed to be absorbed, contrary to this, the council had purchased electrical equipment for an amount of Rs. 2,050,645 in 09 subscriptions.	-Do-	-Do-
(c) According to the Eastern Province Financial Circular dated August 08, 2021 and No PT/04(6)/2021, only receipt procedures up to 500,000 can be recommended by the Regional Revenue Committee, but contrary to this circular, a receipt for the amount of Rs.1,058,450 was carried out by the council .	-Do-	-Do-

### 3.6 Defects in Contract Administration

Audit Observation	Comment of the Council	Recommendation
In 2016, under the Local Development Grand , Roads were constructed and It was reported by the council that projects such as	Steps will be taken to expeditiously complete the pending projects under the scheme.	Renovation of toilets and streets and Steps should be taken to finalize work projects like setting up

construction of parks have been completed and the funds received and deposited in the year 2017, projects worth Rs. 750,000 were not completed up to the date of audit.

parks.

### 3.7 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) 9 vacancies at primary level and 06 vacancies at secondary level total 15 vacancies have not been taken by the council.	There were staff requirements and vacancies, but measures will be taken according to the country's economic policies and changes in the coming future.	Appropriate action should be taken to fill up the vacancies.
(b) The council did not take steps to recover the sum of Rs.28,467 due to disasters and other loans given to 19 officials since 10 years and Rs.141,970 due from an employee who died while working for more than 06 years.	The deficiencies will be corrected.	Necessary actions should be taken to recover the staff loan.

## 4. Accountability and Good Governance

### 4.1 Environmental Issues

Audit Observation	Comment of the Council	Recommendation
47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 and the Ordinances in force thereunder for the renewal of expired Environmental Licenses of 31 wood mills, 04 AHP plants and 01 building materials outlets during the last 02 to 07 years. Action Not taken to renew the licences. Also, as per the special gazette No. 2264/18 dated January 27, 2022, 05 mills and 05 mills have not received environmental permits.	Steps will be taken to obtain and renew the Environmental Licenses.	Actions should be taken to renew Environmental Licenses for business establishments and obtain Environmental Licenses certificates for solid waste management stations.