

**1. Financial Statements**

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**1.1 Qualified Opinion**

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The audit of the financial statements of the Eravur 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 Eravur 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) 05 nos. of constructions worth Rs.3,189,344 had completed during the year under review, had not been capitalized.	Actions have been taken to rectify this in the coming year.	Steps should be taken to settle the accounts.
(b) The value of 1,575 books received as donations for the 07 nos. of libraries till the end of the year under review amounting to Rs. 543,386 and unvalued 784 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.
(c) The values of 22 types of 42 items donated by UNOPS to the Solid Waste Management Center had not been assessed and shown in the financial statements.	This amount will be disclosed in the accounts after the valuations.	Action should be taken to show the donation assets in the financial statements.

## 1.6.2 Documentary evidenced not made available for Audit

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
Lands deeds, fixed assets register, assets documents and title confirmation documents had not been submitted for audit, regarding 03 assets balances amounting to Rs.146,185,023 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 record them in register.

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

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) Section 24 (1) of the Pradeshiya Sabha Act No. 15 of 1987	The Council's roads had not been published in the Gazette till the date of audit.	Actions have been taken to publish the roads in the Gazette.	Actions should be taken to publish the roads in the Gazette.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) 371(2)(b)	Advance amount of Rs. 7,514,755 had not been recovered till the end of the year under review.	Action will be taken for settlement of advance payments	Action should be taken to recover the advance payments.
(ii) 571(1), (2) & (3)	Lapsed deposits of Rs. 14,645,166 had not been disposed.	Action will be taken to transfer as income after inform to the related person.	Action should be taken to transfer to the income.

## 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. 74,514,887 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 97,152,572 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	2,004,500	1,044,706	55,200	989,506	2,004,500	-	-	992,082
ii. Rent Income	15,755,000	17,021,021	14,177,491	2,843,529	15,370,000	11,457,854	14,607,772	5,484,204
iii. License Fees	4,511,000	3,421,481	3,421,481	-	3,726,000	3,089,967	3,089,967	-
iv. Other revenue	8,874,500	10,409,074	10,409,074	-	50,712,000	57,159,616	58,159,616	2,609,529
Total	31,145,000	31,896,282	28,063,246	3,833,035	71,812,500	71,707,437	75,857,355	9,085,815

## 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>
<b>(a) Rent</b>		
(i) Action had not been taken to recover the arrears of lease income amounted to Rs. 1,604,779 from 52 lessee during the year under review.	Action had been taken to inform to the lessee to collect the income.	Action should be taken to lease arrears.
(ii) At the 31 December 2023 year under review, the amount of Rs. 1,238,751 due from the 18 leasing for a period of 1 to 3 years and no action had been taken to collect this amount.	Action has been taken to send written notices and income inspectors are visiting directly to collect them.	Action should be taken to collect the arrears of lease.
<b>(b)</b> During the year under review, trade license fee receivables from business entities amounted to Rs. 120,000 had not been collected by the council.	Action had been taken to inform to the companies to collect the arrears.	Trade license fees for the business premises should be collected.
<b>(c)</b> Stamp duty amounted to Rs. 56,379,248 from the Chief Secretary of the Provincial Council and other authorities was due on 31 December 2023 over 05 years.	It will be corrected in the future year.	Action should be taken to collect the stamp duty income.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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, 08 plans for two-storied buildings	Action will be taken as per the circular.	Action should be taken as per the circular.

drawn by the Public Health Inspector during the year under review had been approved by the council.

### 3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
The ownership of the 19 vehicles, trailers and bowsers that had been donated to the council from other government institutions, had not been transferred to the council.	Action are being taken to transfer the ownership.	Actions should be taken to transfer ownership of the vehicle.

### 3.3 Lapses in contract management

Audit Observation	Comment of the Council	Recommendation
According to para 1.2 of Finance Commission circular No. 2016/01 dated 2015 December 30, provincial and local authorities are required to carpets, tar or concrete while constructing roads, except for paving and temporary road construction. However, in the year under review, the construction of 04 roads under the contract value of Rs. 1,497,825 was done contrary to this circular.	Construction had been done with the need of the public and approval with Hon.Governor and President of the Divisional Development Committee.	Actions should be taken to construct the long term usable roads.

### 3.4 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
(a) There were 19 vacancies and 01 excess in 12 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 excess staff.

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| (b) | Loan amount of Rs. 97,863 were to be collected from retired, vacated and transferred officers. | Actions will have been taken to send the written notices to recover loan balances. | Actions should be taken to recover outstanding employee loans. |
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**4. Accountability and Good Governance**

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**4.1 Environmental Observations**

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<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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<p>As per Section 08 of Gazette Notification No.1534/18 dated 01 February 2008, should be applied for renewal of the Environmental Protection License (EPL) within a period of 03 months from the date of expiry. However, 61 industries had not been taken action to renew the license.</p>	<p>Action will be taken to renew in future.</p>	<p>Actions should be taken to renew the expired EPL.</p>