

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Porathivu 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 Porathivu 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

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.

- (a) 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.
- (b) 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 Observations	Comments of the Council	Recommendations
(a) Closing stock at the end of the year under review shown as Rs.1,175,828 had not been shown as assets in the financial statements.	That will be corrected in the future year.	It should be accounted in financial statement.
(b) Out of 31 types of 231 items auctioned during the year under review, cost value and value of the 5,147 losted books had not been deducted from assets.	That will be corrected in the next year's accounts.	Action should be taken to deduct the value of the auctioned items and lost books from the assets.
(c) The value of 1,316 books received as donations for the 11 nos. of libraries till the end of the year under review amounting to Rs. 555,598 and unvalued 1,435 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.

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 05 assets balances amounting to Rs.48,538,599 shown in the financial statement as at 31 December of the year under review.	Action will be taken to document the fair value of the fixed assets.	Action should be taken to obtain written evidence of assets and record them in register.

1.7 Non- Compliances

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Public Administration Circular No. 09/2009 and Public Administration Circular Letter No. 03/2017(L)	A work supervisor and 02 employees in water supply scheme of Council have not confirmed their arrival and departure through the finger print machine.	The council had informed to the employees to use the finger print machine at the main office.	As per the circular, employees should prove their arrival and departure through the finger print machine.

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. 11,206,294 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 5,840,744 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	1,500,000	-	-	-	1,200,000	-	-	-
ii. Rent Income	3,049,700	2,280,751	1,390,200	890,551	1,930,000	888,000	764,850	436,152
iii. License Fees	1,860,000	1,504,435	1,504,435	-	1,905,000	1,080,625	1,080,625	-
iv. Other revenue	7,375,000	11,925,773	10,019,913	1,905,860	19,865,000	45,333,421	42,381,478	2,969,842
Total	13,784,700	15,710,959	12,914,548	2,796,411	24,900,000	47,302,046	44,226,953	3,405,994

2.2.2 Revenue Collection Performance

Audit Observations	Comments of the Council	Recommendations
(a) According to Gazette Notification No. 1826 dated 31st August 2013, 12 Grama Niladari Divisions had been declared as developed areas. Eventhough, no action had been taken for valuation of the assets over 10 years.	Action will be taken after the approval of the governor.	Action should be taken to collect the assessment tax.
(b) Action had not been taken to recover the arrears of rental income amounted to Rs. 271,091 for the period from 2017 to year under review.	Action will be taken to recover the arrears and legal action will be taken against non-payers of arrears.	Action should be taken to recover the arrears of rental income.
(c) Rs. 9,685,627 of court fines and Rs. 11,622,690 Stamp duty from the Chief Secretary of the Provincial Council and other authorities was due on 31 December 2023.	It will be recovered in year 2024.	Action should be taken to collect the court fines and stamp duty income.

3. Operational Review

3.1 Identified Losses

Audit Observation	Comment of the Council	Recommendation
In the year 2021, value of Rs. 460,000 Solar ray, battery and materials had been purchased for the construction of the elephant fence in Vivekanandapura solid waste management center had been stolen. Even though, council had not been taken any action as per the financial regulation from no.101 to 110.	A complaint has been filed at the police station regarding the theft and action will be taken against the financial regulation.	As per the financial regulation, losses should be identified and action should be taken.

3.2 Assets Management

Audit Observations	Comments of the Council	Recommendations
(a) Action had not been taken by the council to repair and re-use or auction the tractor and water tank, which were broken more than 03 years.	The tractor will be repaired after the funds avail in PSDG.	Steps should be taken to repair the tractor and water tank.
(b) Action had not been taken to transfer the ownership of 20 vehicles in the name of other Ministries and Departments.	Steps will be taken to transfer the title of the vehicles to the name of the council	Steps should be taken to transfer the ownership of vehicles to the name of the council.
(c) Action had not been taken to use the Multi chopper and Rotatable strainer at the Solid Waste Management amounting to Rs.1,082,500 over 02 years.	Machineries will be used after the construction of the elephant fences.	Action should be taken to use the Multi shopper and rotatable strainer at the process of solid waste management center.

3.4 Human Resource Management

Audit Observations	Comments of the Council	Recommendations
(a) As per the approved cadre of the Department of Management Services, there were 16 vacancies in the Council.	Action had not been taken so far, even if it had been informed to the top level officials.	Necessary actions should be taken to fill up the vacancies.

- | | | | |
|-----|--|--|--|
| (b) | Distress loan and other loan amounting to Rs. 503,195 due from the 06 staffs had not been recovered over 13 years. | There no any evidence for debtors. The Council will take action after taking the advice of the Commissioner of the Local Government. | Necessary actions should be taken to recover the staff loan. |
|-----|--|--|--|

4. Accountability and Good Governance

4.1 Environmental Observations

Audit Observation	Comment of the Council	Recommendation
-----	-----	-----
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, 31 industries had not been taken action to renew the license.	A notification had been issued to renew the license and informed to them about the penalty will be imposed in case of default.	Actions should be taken to renew the expired EPL.