

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Maritimepattu Pradeshiya Sabha for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023 and income and expenditure account and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out 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 Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and National Audit Act No. 19 of 2018. 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 Maritimepattu 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 Principles.

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 Principles, 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	Comment of the Sabhas	Recommendations
(a) The amount of Rs. 36,718,030 granted to the council from the Local Credit Development Fund in the year under review had not been presented in the financial statements.	That actions will be taken to present in the financial statements of the next financial year.	Financial statements should be prepared accurately.
(b) In relation to 16 transactions where goods and services were not received and payments were not confirmed, Rs. 8,866,246 had been accounted as creditors.	That actions are being taken to transfer into the income.	- Do -

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	Comment of the Sabhas	Recommendations
(a) 571(1), (2) and (3) of the Finance Regulations of the Democratic Socialist Republic of Sri Lanka.	Appropriate actions had not been taken in respect of 04 overdue bid deposits, 100 rental deposits and 04 security deposits totaling Rs. 1,721,468.	That further actions are being taken.	Actions should be taken according to the financial regulations.

- (b) Section 4 of Chapter XXIV of the Establishment Code Since last 13 years, any actions had not been taken to collect the employee loan amounting to Rs. 299,676 which should have been collected from 07 officers who have transferred and left the service. That actions have been taken to settle. Actions should be taken to recover outstanding loan amounts.

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. 60,038,075 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 35,431,286 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 submitted by the Sabha 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	721,000	194,835	194,835	-	1,100,000	171,980	171,980	-
(ii) Rent	21,395,700	25,465,436	25,490,958	2,241,146	25,749,480	20,702,378	19,669,220	2,612,653
(iii) License Fees	2,729,100	3,606,462	3,606,462	-	3,672,400	3,376,912	3,376,912	-
(iv) Other revenue	52,895,730	66,301,439	66,993,389	2,837,300	28,530,390	33,970,286	33,970,286	3,529,250
	77,741,530	95,568,172	96,285,644	5,078,446	59,052,270	58,221,556	57,188,398	6,141,903

2.2.2 Performance in Revenue Collection

Audit Observation	Comment of the Sabha	Recommendation
A sum of Rs. 1,665,522 of meat shop rentals and market rentals due from 08 parties had not been collected till now and it had been remained in arrears for a period of 01 to 02 years.	That actions have been taken to recover.	Appropriate actions should be taken to recover arrears of rentals.

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Comment of the Sabhas	Recommendations
(a) The Mulliyawalai shop complex, which was built last year with a total cost of Rs. 21,702,465 from the Local Credit Development Fund, had not been used for the related purposes and the expected results had not been obtained since last year.	That actions will be taken to implement continuously.	Actions should be taken to fully utilize the assets.
(b) Unnappulau Children's Park, which was built at a total cost of Rs. 9,792,252 under the plan to promote North East Local Government Services in 2013, had been abandoned since the last 8 years due to non-use for the relevant purposes.	That the equipment installed in the children's park is being installed and used on Mullaitivu beach as per the council's decisions.	Actions should be taken to fully utilize the assets.
(c) Due to the non-completion of the Mullaitivu Central Bus Stand construction works, implemented by the Urban Development Authority in the year 2019, a sum of Rs. 1,852,902 had been paid from the Council's fund in the middle of the year under review to complete it, but the works had not been completed until the end of the year under review, since then the public was not able to use this bus stand from last 03 years in a useful manner and the passenger buses had been also parked at another place.	Since the development work of the bus station is going on, the operation of the bus station has been temporarily stopped.	The construction work should be completed soon and should be opened for public use.

3.2 Assets Management

Audit Observations	Comment of the Sabhas	Recommendations
(a) Actions had not been taken to take over the 12 vehicles in the form of tractors, bowsers, lorries, garbage disposal lorries and motorcycles given to the council by government and non-government organizations.	That the transfer of ownership is in progress.	Immediate actions should be taken to take over.
(b) So far, any actions had not been taken to take over the land on which the council's main office and 05 schools were built.	That action has been taken.	- Do -