

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Koralai Pattu West Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, 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 provision in sub-section 10(1) 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 West 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 Observation	Comment of the Council	Recommendation
(a) Action had not been taken to show the donated and completed construction works a sum of Rs. 77,893,278 as assets in financial statements.	Deficiencies will be corrected in future year.	Action should be taken to show the completed works as assets, in accounts.
(b) Action had not been taken to show the assessed value of the 06 no. of solar power lights with panel fixed at Lebbe Haji Park, as assets in financial statement.	Noted deficiencies will be corrected in future year.	Action should be taken to show as assets, in financial statements.
(c) The value of 49 books had been received as donations during the year under review, had not been shown as assets, in the financial statements.	Deficiencies will be corrected in future year.	Action should be taken to show the value of the received donation books, as assets, in the financial statements.

1.6.2 Documentary evidenced not made available for Audit

Audit Observation	Comment of the Council	Recommendation
As at 31 December of the year under review, fixed asset registers title deeds and schedules of 06 account balances amount of Rs. 47,598,405 had not been submitted to the audit.	Action will be taken to submit the evidence for land and building, plant and machineries, vehicles, furniture, computer equipment and library books.	Action should be taken to obtain and enter the documents.

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-compliances	Comments of the Council	Recommendations
(a)	Section 24(1) of the Pradeshiya Sabha's Act, No. 15 of 1987	Action had not been taken to gazette the 98 road out of 277 are being under the administrative area of the Council, till the end of the review year.	Actions are being taken to gazette the identified roads, in the gazette.	According to the act, Action should be taken to publish the identified roads, in the gazette.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulation 371(5)	Advance payments amounted to Rs. 224,250 made five times by the Council for the Solid Waste Management Center. However, action had not been taken to recover over 05 years.	These deficiencies will be quickly corrected.	Action should be taken to identify and recover the advance payments.
(ii)	Financial Regulation 571 (1), (2) & (3)	Action has not been taken to settle or bring as income 34 deposits of Rs. 827,734, which were lapsed over two years.	Proper action has been taken	Action should be taken adjust the lapse deposit.

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 2024 amounted to Rs. 8,181,412 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 1,245,454 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.

		2024				2023			
Source of Revenue		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	2,300,000	2,431,640	156,440	14,351,107	2,200,000	12,527,837	589,933	12,075,907
ii.	Rent Income	8,388,690	6,927,050	6,099,690	1,205,910	7,375,369	7,470,046	6,953,493	378,550
iii.	License Fees	3,660,000	3,200,000	2,952,600	1,411,800	3,775,000	4,497,586	3,333,186	1,164,400
iv.	Other revenue	2,770,000	7,183,600	7,183,600	-	5,593,000	3,970,440	3,970,440	-
	Total	17,118,690	19,742,290	16,392,330	16,968,817	18,943,369	28,465,910	14,847,052	13,618,857
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2.2.2 Revenue Collection Performance

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

Audit Observations	Comments of the Council	Recommendations
(a) Rate and tax		
Action had not been taken to collect the rate tax arrears amounting to Rs. 11,937,904 from paper factory at Valaichchenai, till the end of the review year.	Follow up action will be taken to collect the arrears.	Actions should be taken to collect the long-term rate tax arrears.
(b) Rent		
The Council had not taken action to recover a sum of Rs. 562,128 shop arrears from 16 renters and lease amount of Rs. 643,786 from 04 lessee.	Noted arrears are being collecting and balance will be collected quickly.	Actions should be taken to collect the rent and lease arrears quickly.
(c) Trade License fee		
Action had not been taken to recover the unsettled trade license fee amount of 1,411,800 till the end of review year.	Actions had been taken to quickly recover the arrears.	Actions should be taken to collect the arrears quickly from entrepreneur.
(d) Court fines and stamp duties		
The court fine and stamp duty due from the Chief Secretary of the Provincial Council and other officials as on 31st December 2024 are Rs. 2,426,710 and Rs. 8,082,053 respectively.	- Do -	Action should be taken to recover the arrears.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
In terms of section 2(1) stamp duty exchange statute No.06 of 2010 of Eastern Province, Council had not taken action to recover the stamp duty amount of 497,700 for transfer of 34 properties during area of the Council.	Request has been forwarded to collect the arrears.	Action should be taken to collect the arrears quickly.

3.2 Idle or underutilized Property

Audit Observation	Comment of the Council	Recommendation
(a) Council had not taken action to utilize the solid Waste center at Soodupaththinasenai, established at a cost of Rs. 730,000 and purchased equipment at a cost of Rs. 303,150 in 2022, till end of the year 2024	It will be utilized quickly.	Actions should be taken to utilize the solid waste centers assets for the intended purpose.

3.3 Assets Management

Audit Observations	Comments of the Council	Recommendations
(a) The Council had not taken action to repair or dispose the 06 vehicles with the proper approval, belonging to the Council, till the audit date.	Actions are being taken to repair and utilize the vehicles.	Immediate action should be taken to repair and utilize the vehicles or dispose vehicles.
(b) No action has been taken to transfer the ownership of 12 vehicles received as donations from other governments institutions.	Request had been sent to comptroller general.	Actions should be taken to obtain the ownership quickly.

3.4 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
Providing public services by the Council were weak by action had not been taken to fill 03 staff vacancies approved by the Management Service Department.	Request had been forwarded to the departments, to fill the vacancies.	Immediate action should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comment of the Council	Recommendation
In terms of the paragraph 06 of Management Audit Circular No. DMA/01-2019 dated 12th January 2019, there no approved internal audit plan and had not conducted internal audit activities in Council.	Internal audit committee had been appointed and handed over the responsibility.	As per the circular, immediate action should be taken to prepare the internal audit plan and to conduct the internal audit activities.

4.2 Environmental issues

Audit Observation	Comment of the Council	Recommendation
In terms of the National Environment Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No. 53 of 2000 and No.01 of 2008 and section (B) of extraordinary gazette No. 2264/18 dated 27 January 2022, Council had not obtained the environmental protection license for the slaughter house and solid waste center.	New land had been purchased at kakitha Nagar grama Niladhari division for establishment of the slaughter house and action will be commence quickly.	Action should be taken to obtain the environmental protection license.

4.3 Sustainable Development Goals

Audit Observation	Comment of the Council	Recommendation
Measurable indicators had not been identified and compared with budget to reach the sustainable development goals in 2030.	Actions will be taken to identify the sustainable development goals and to assess the development activities, in this year.	Action should be taken to evaluate the sustainable development goals and to identify the particular indicators.