

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Koralai Pattu North 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 provisions 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 North Pradeshiya Sabha as at 31 December 2024, 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) Vehicle repair expenditure Rs. 2,220,443 incurred on seven occasions was calculated as capital expenditure, during the year under review.	Action will be taken to show these as assets in the next financial year.	Action should be taken to show recurrent expenses as expenses for the year.
(b) The values of computer equipment and 88 books received as donation during the year under review were not shown as assets.	The particular assets will be shown as assets in the next financial year.	Action should be taken to show the value of donated assets in the accounts.
(c) The values of sold 60 items and destroyed 14 items during the year under review, had not been deducted from the particular assets.	Cost value of sold items had not been deducted from assets during the year under review. Because, these had not included the any fixed assets.	Action should be taken to show the additions and deductions of assets in the accounts.

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. 155,985,077 had not been submitted to the audit.	Action will be taken to obtain the documents and properly maintain the registers.	Immediate action should be taken to obtain the documents of assets and record them in registers.

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)	Pradesha Sabhas Act No. 15 of 1987			
(i)	Section 24(1)	138 out of 837 roads had not been identified within the administrative arears of the Council. Hence, action had not been taken to gazette them.	Actions are currently being taken to publish all the listed roads, through gazette notification, in future.	Immediate action should be taken to publish the identified roads in gazette.
(ii)	Section 128	Action had not been taken to acquire the ownership of 286 acres of 29 lands belong to the Council.	Appropriate actions are currently being taken to identify the land documents and acquire the ownership.	Immediate action should be taken to identify the roads through the gazette.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulation 371(5)	Advance payments of Rs. 255,000 had been made in 2018, it had not been settled over 05 years.	Currently, actions are being taken to identify the person and recover the advance.	Immediate action should be taken to recover the advance payments.
(ii)	Financial Regulations 571(1), (2) & (3)	Action had not been taken over 10 years to repay to relevant persons or change as income the deposits of Rs. 650,578 which were lapsed over two years.	Actions are being taken to correct this.	Action should be taken to dealt with deposits of lapsed over two years.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of recurrent income over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 4,696,306 as compared the excess of recurrent income over recurrent expenditure amounted to Rs. 5,855,358 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	2024				2023			
	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	725,000	2,277,970	2,668,821	805,055	1,200,000	2,124,668	928,762	1,195,906
ii. Rent Income	3,390,000	4,267,250	3,843,100	1,117,600	4,421,200	3,254,390	2,560,940	693,450
iii. License Fees	1,355,000	1,370,000	1,351,750	63,250	880,500	1,391,300	1,346,300	45,000
iv. Other revenue	1,070,000	2,110,253	2,000,253	494,000	3,800,000	1,392,677	993,727	384,000
Total	6,540,000	10,025,473	9,863,924	2,479,905	10,301,700	8,163,035	5,829,729	2,318,356

2.2.2 Performance of Revenue Collection

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

	Audit Observations	Comments of the Council	Recommendations
(a) Rent			
(i)	Action had not been taken to collect the outstanding JCB rent amount of Rs. 503,600 till the end of the year under review.	Actions are being taken to recover the amount from particular person in future year.	Action should be taken to collect the arrears of JCB rental income.
(ii)	Action had not been taken to collect the shop rent arrears amount of Rs. 150,000 from 07 persons and lease amount Rs.252,750 from 16 lessee till the end of the review year.	Actions are being taken to recover the amount from particular person and deposits in future year.	Action should be taken to collect the arrears of shop rent and lease.
(b) Trade license			
	Action had not been taken to collect the advertising trade license amount of Rs. 400,000 for advertising in administrative area of the Council, till the end of the year under review.	Actions are being taken to recover the arrears amount in future year.	Action should be taken to collect the arrears of advertising trade license.

(c) Other Income

- | | | |
|---|--|---|
| (i) Action had not been taken to collect the arrears of sand sales amounted to Rs. 94,000 from a community center over 03 years. | Community center has confirmed to settle the arrears in future year. | Immediate action should be taken to recover the arrears of income from sand sale. |
| (ii) Action had not been taken to collect the water bill arrears of Rs. 805,055 in Council's water supply. | Council is taking action to collect the arrears in future year. | Action should be taken to collect the arrears of drinking water bill. |

(d) Other Income

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. 1,102,000 and Rs. 1,495,470 respectively.	It is being delayed in collection.	Action should be taken to collect the arrears income.
---	------------------------------------	---

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendations
(a) As per the sub-section 49(a) of the Urban Development Authority Act No. 41 of 1978 and sub-section 49(a) of the Pradeshiya Sabhas Act No. 15 of 1987, Council has the power to authorize the approval for building within the limits of the Council area. However, approval had been given by the council to erect the building based only on the revised building plans and without any documents related to the building application, land survey, land measurement plan, non-acceptance document certificate and street boundary line certificate.	Actions are being taken to correct the matter.	Approval should be given to erect the building after submitting the proper required documents.
(b) Although, processing fee should be collected as per the Planning and Development regulations- 2021 of the Urban Development Authority Act No. 41 of 1978, it has been collected based on Council decision No.2018/05 made on 2 nd meeting of year 2018, for the approved 2,067.28 square meter commercial building within the limits of the Council area, during the year under review. In this regard, Council has loosed income for constructions of the swimming pool and solar power over 06 years.	Actions are being taken to correct the matter.	Immediate action should be taken to collect the processing fee as per the act.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Council	Recommendation
Although, two vehicles had been repaired at a cost of Rs. 1,538,043 during the year under review. However, it had not been achieved purpose and idled even after repairing.	Actions will be taken to use the vehicles after purchasing tyres.	Decision should be taken based on the financial availability.

3.3 Assets Management

Audit Observations	Comments of the Council	Recommendations
(a) Action had not been taken to transfer the ownership of 15 vehicles in the names of other ministries and departments, to the Council name.	Actions has been taken to transfer the ownership of the vehicles.	Action should be taken to acquire the ownership of the vehicles to the Council name.
(b) Council had not been taken any action to repair the 11 vehicles.	Approval had been received to dispose the unusable vehicles and vehicles will be repaired after receive of the sufficient funds.	Actions should be taken as per the identification of the vehicles.

3.4 Procurement Management

Audit Observations	Comments of the Council	Recommendations
(a) In terms 05(b) of the Eastern Provincial Finance Circular No. PT/04(i)/2017 dated 21st September 2017, a relevant subject person should be appointed in Technical Evaluation Committee when procurement process. Electrician was not appointed in the Technical Evaluation Committee during the procurement of electronic equipment worth Rs. 2,072,709 in 09 situations.	Actions had been taken to appoint an electrician to the Technical Evaluation Committee in the future.	Action should be taken to appoint an electrician in Technical Evaluation Committee.
(b) In terms of the 2006 procurement guideline 1.1.1 of the Democratic Socialist Republic of Sri Lanka, Council should follow the procurement procedure when using the government fund for procurement process. However, tyres and spare parts had been bought for Rs.375,500 without following procurement guidelines.	Action and instructions are being taken to follow the procurement guidelines.	In terms of the procurement guidelines, Action should be taken to purchasing.

3.5 Resources released to other organizations

Audit Observation	Comment of the Council	Recommendation
If Council fix solar power system with their own funds, they could earn all income. However, Council had missed the opportunity by made an agreement with a private company, to fix at building roof with the term of receiving a 6% to 18% of the income to the Council. It was observed in audit.	Reply had not been given.	The agreement must be made in the best interest of the public and in accordance with legal provisions of the act.

3.6 Human Resource Management

Audit Observations	Comments of the Council	Recommendations
(a) Financial and administrative activities of the council were weak due to the lack of action taken to fill 06 staff vacancies at the end of the year under review.	Council has been taken action to consider human resources.	Actions should be taken to fill up the vacancies.
(b) Staff loan a sum of Rs. 211,064 had not been recovered over 10 years from 02 retired officers.	Actions has been taken to recover the loan arrears form particular persons.	Loan arrears should be recovered from the related employee.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comment of the Council	Recommendation
In terms of finance circular no.02/2020 dated 28 August 2020, Annual Action plan for the year under review, had not been prepared and approved for the activities that were to be carried out by the Council.,	Deficiencies will be corrected with funds availability in future year.	Action should be taken to prepare an annual action plan for the activities to be carried out by the Council, in accordance with the budget.

4.2 Audit and Management Committee

Audit Observation	Comment of the Council	Recommendation
In terms of 5.3 of Audit Management Department circular no. DMA/01-2019 dated 12 January 2019, Audit and Management Committee meeting	Action has been taken to properly conduct the meeting in future year.	In terms of the circular, action should be taken to conduct the audit and

should be held at least once in quarter. However, only two audit and management meetings were held during the year under review.

management committee meeting.

4.3 Sustainable Development Goals

Audit Observation	Comment of the Council	Recommendations
Measurable indicators had not been identified and compared with budget to reach the sustainable development goals and objectives.	Action will be taken to correct based on the fund's availability, in future year.	In terms of the circular, action should be taken to evaluate and compared with budget by identifying the particular indicators.