

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Koralai Pattu 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 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) The value of books donated to 07 libraries owned by the council during the year under review, had been overstated by Rs. 9,180,775.	Action will be taken to show in assets with adjustment.	Action should be taken to show the accurate value of the assets.
(b) The values of a total of 6,304 books purchased and received as donations during the year under review and previous years, had not been shown as assets.	Action will be taken to show in the final accounts, in following year.	Action should be taken to show the value of books as assets in the financial statements.
(c) The total amount of consumables and electric bulb inventory of Rs. 1,987,273 was not shown as an asset in the financial statements.	- Do -	Steps should be taken to show the value of the inventories as assets in the financial statements.
(d) The waste collection tax of Rs. 489,000 to be collected from 04 tourist restaurants during the year under review, was not disclosed as an asset in the financial statements.	- Do -	Action should be taken to show the receivable income as an asset in the accounts.
(e) Although 571 items of 93 types had been disposed of through auction and disposal at the end of the year under review, the cost value of the disposed assets had not been evaluated and shown in the financial statements.	The cost value of the disposed assets will be evaluated and brought in to the assets.	Action should be taken to deduct the cost of disposed assets.

1.6.2 Documentary Evidences 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 schedule of 06 account balances amount of Rs. 25,548,271 had not been submitted to the audit.	Action will be taken to maintain the documents of the assets and deficiencies will be corrected.	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.

The observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. are as follows.

Reference to Laws, Rules Regulations etc.	Non-compliances	Comments of the Council	Recommendations
(a) Sub-Section 24 (1) of the Pradeshiya Sabha Act No. 15 of 1987	740 roads belonging to the council area had not been published in the gazette.	Actions have been taken to publish the names of the remaining 740 roads in the gazette.	Action should be taken to publish the 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. 3,344,907 made by the Council for the solid waste management center during last 20 years. However, which had not been settled up to the end of the year under review.	Actions will be taken to settle the advance amount of the solid waste management center.	Action should be taken to recover the advance payments.
(ii) Financial Regulation 571 (1), (2) & (3)	Action had not been taken to repay to relevant persons or change as income the 04 types of deposits of Rs. 1,664,637 which were lapsed over two years.	Appropriate action will be taken to rectify deposits lapsed over 02 years.	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 revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 65,381,930 as compared with excess of revenue over recurrent expenditure amounted to Rs. 45,931,332 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

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	22,600,000	1,340,170	1,340,170	--	1,700,000	1,043,235	1,043,235	--
ii.	Rent Income	16,469,600	9,273,392	9,225,892	21,336,628	11,924,000	30,350,442	9,013,814	21,336,628
iii.	License Fees	3,973,000	6,196,045	6,196,045	--	3,739,000	6,169,256	6,169,256	--
iv.	Other revenue	16,290,000	10,245,569	10,245,569	545,000	27,695,000	11,898,919	11,353,919	545,000
Total		59,332,600	27,055,176	27,007,676	21,881,628	45,058,000	49,461,852	27,580,224	2,881,628

2.2.2 Performance of Revenue Collection

Observations related to the performance of all revenue collections of the council are given below.

	Audit Observations	Comments of the Council	Recommendations
(a)	Rent		
	Action had not been taken to recover the total amount of Rs. 23,714,030 arrears of lease and rent from 55 lessees over from 03 to 11 years.	Action has been taken to recover the arrears from appropriate persons.	Immediate action should be taken to collect shop rent and lease arrears.

(b) Trade License

Although the Sri Lanka Tourism Board is required to collect a license fee not exceeding one percent of the gross business income of any restaurant or hotels registered under the Tourism Development Board Act No. 14 of 1968 and section 149 of the Pradeshiya Sabha Act No.15 of 1987. However, the Council is collecting fixed license fee of Rs. 100,000 and losing income from 17 registered tourist service providers, as per the act.

Action has been taken to collect the income.

Immediate action should be taken to collect the license fee as per the act.

(c) Other Income

Although, 10 percent penalty is to be collected from the lessee as per the lease agreement, Council had not collected the penalty over 06 years for the lease arrears amount of Rs. 20,242,578 at the end of the year under review.

Action are being taken to collect the lease from particular persons.

Immediate action should be taken to collect the fine as per the agreement.

(d) stamp duties

No action has been taken to recover the stamp duty amount of Rs. 18,378,567 for the last 14 years that was due by the end of the year under review.

Appropriate action are being taken.

Immediate action should be taken to recover stamp duty.

3. Operational Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Council	Recommendations
(a) Proper approval and Council decision had not been submitted to the audit, while advance amount Rs.509,634 was written off from 2018 to end of the year under review.	Appropriate action will be taken to correct the deficiencies.	Action should be taken to write off with proper approval and Council decision.

- | | | | |
|-----|--|--|--|
| (b) | Amount of Rs. 3,649,438 was spent for the repair of JCB machinery and no income was earned during the year under review. However, the Council has rented private JCB machinery 06 times for Council work and paid Rs. 1,904,700. | As per the public request and flood disaster needs, a JCB machinery has been rented from private person. | Action should be taken to earn revenue by effectively utilizing the Council machineries. |
|-----|--|--|--|

3.2 transaction of Contentious nature

Audit Observation	Comment of the Council	Recommendation
The Memorandum of Understanding (MoU) entered with the Sri Lanka Tourism Development Authority regarding the water supply charges for the dress changing room and bathrooms located in the Pasikuda under Council area, had not been submitted to the audit. Hence, the Council made payment of Rs. 1,000,000 without a detailed water bill and it was contrary to the Council decision and the government financial regulations.	The actions have been taken accordingly and payment was made with the decision of the secretary on the basis of the renewal of the agreement with the Tourism Authority.	Action should be taken to payments in accordance with the council decision and government financial regulations.

3.3 Idle or under-utilized Property

Audit Observations	Comments of the Council	Recommendations
(a) Council had purchased an internet package at a cost of Rs. 600,000 in 2022, for collecting revenue arrears and it was idled so far.	Action is being taken to utilize this.	Action should be taken to recover the arrears by utilizing internet package.
(b) The Council had not taken any action over 04 years, to utilize the Multi Chopper Machine and the Rotating strainer value Rs. 1,082,500 purchased for solid waste management activities.	-Do-	Immediate action should be taken to utilize the machines in solid waste management activities.
(c) The vehicle repair center was constructed at a cost of Rs. 4,157,781 in 2022, and 14 types of vehicle equipment, including a water pump purchased at a cost of Rs. 1,627,346 for that center, were found idled in the council premises.	Identified deficiencies of the vehicle maintenance station will be completed and brought back into operation soon.	Action should be taken to utilize the vehicle repair center and the mechanical equipment.

- | | | |
|---|--|---|
| <p>(d) Action had not been taken to earn the income by providing 04 container shops out of the 16, which were constructed at a cost of Rs. 16,253,511 under the Local Development Supporting Programme.</p> | <p>As per the request of the beneficiaries, steps are being taken to relocate and operate the containers belonging to 4 specific beneficiaries at a new location</p> | <p>Immediate action should be taken to provide container shops to beneficiaries and to earn the income.</p> |
|---|--|---|

3.4 Assets Management

Audit Observations	Comments of the Council	Recommendations
(a) No action has been taken to transfer the ownership of 16 vehicles are being in the names of other ministries and departments.	Action will be taken to transfer the ownership of the above vehicles.	Action should be taken to acquire the ownership of the vehicles using by the council.
(b) No action had been taken to repair or reuse the 18 vehicles, which are being under repair from the last 01 to 05 years.	Action will be taken to repair all repaired vehicles.	Action should be taken to repair or auction the repaired vehicles.

3.5 Delays in projects, operations or capital works

Audit Observation	Comment of the Council	Recommendation
Although the operations of the dog care center were commenced during the year under review and Rs. 3,000,000 was spent for it, it was abandoned by the end of the year under review without achieving the expected results.	Dog care process have been temporarily suspended and attention has been paid to implementing future income based on current resources.	Action should be taken to reach the expected results from commenced project.

3.6 Human Resource Management

Audit Observations	Comments of the Council	Recommendations
(a) Public services were weak due to the lack of action taken to fill 15 staff vacancies approved by the Management Service Department at the end of the review year.	Appropriate action will be taken.	Action should be taken to fill up the vacancies.
(b) Council had not taken any action to recover the amount of Rs. 1,359,747	Action will be taken to recover from particular person.	Immediate action should be taken to recover the

during the year under from a Development Officer, who was suspended for misused of the public money by utilizing the fuel order.

loss from the particular officer.

- (c) No action has been taken to recover the distress loan and other loan amount of Rs. 445,208 over 02 years, from 05 employees who have retired, passed away and gone abroad and Rs. 32,137 from 09 employees who have been transferred for more than 11 years.

- Do-

Action should be taken to recover the staff loan arrears.

4. Accountability and Good Governance

4.1 Action plan

Audit Observation	Comment of the Council	Recommendation
Action plan had not been prepared and implemented, for the year under review.	Appropriate action is being taken.	Immediate action should be taken to prepare and implement an action plan as per the act.

4.2 Internal Audit

Audit Observation	Comment of the Council	Recommendation
As per paragraph 6 of Management Audit Circular No. DMA/01-2019 dated 12th January 2019, there was no approved internal audit plan and no conducted internal audit activities.	An internal audit committee has been formed and adequate actions are being taken with adequate advice is provided regarding its work.	As per the circular, an internal audit plan should be prepared and immediate action should be taken to conduct internal audit activities.

4.3 Budgetary control

Audit Observation	Comment of the Council	Recommendation
According to the expenditure reports of the Council for the year under review, 100 percent of the allocated funds of Rs. 9,400,000 had been saved under 15 expenditure items for 05 welfare programs were not utilized,	There is currently lack of income. such welfare works can be carried when available of sufficient income.	Action should be taken to effectively use financial allocation.

4.4 Environmental Issues

Audit Observation	Comment of the Council	Recommendation
Although the council collects 266 metric tons of non-bio degradable waste and 3,287 metric tons of bio degradable waste annually, it was observed this waste is disposed of without any steps being taken to produce organic fertilizer or reuse it.	Action will be taken to produce organic fertilizers using bio degradable waste.	Action should be taken to produce organic fertilizer by using solid waste or to reuse it.