

1. Financial Statements

1.1 Unqualified opinion

The audit of the financial statements of Soranathota Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of financial position as at 31 December 2023, Statement of Financial Operations for the year ending on that date, Cash Flow Statement and significant accounting policies and other explanatory 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 which should be read in conjunction with Sub Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the provisions of the Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to the parliament are appeared in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Soranathota 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 Unqualified Opinion

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 unqualified 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 Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable preparing 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 skepticism 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 Requirements

Special provisions regarding following requirements are included in National Audit Act, No. 19 of 2018

- (a) In terms of section 6 (1) d (iii) of National Audit Act, No. 19 of 2018, the financial statements of Pradeshiya Sabha are consistent with the preceding year.

- (b) In terms of section 6 (1) d (iv) of National Audit Act, No. 19 of 2018, the recommendations made by me on the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Financial Results

In accordance with the financial statements submitted, the revenue of the Pradeshiya Sabha in excess of the recurrent expenditure for the year ended as at 31 December of the year under review, amounted to Rs. 168,211, as compared to the corresponding revenue for the preceding year in excess of the recurrent expenditure amounting to Rs. 5,637,184.

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Outstanding Revenues

According to the information submitted by the Secretary of the Sabha, the information related to the estimated Revenues, billed Revenues, collected Revenues and outstanding Revenues of the year under review and the previous year are as follows.

Source of Revenue	<u>2023</u>				<u>2022</u>			
	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	11,387,351	96,169	55,329	40,840	4,947,724	97,905	56,314	41,591
(ii) Rents	1,205,200	713,677	503,886	209,791	1,087,200	725,520	507,987	217,533
(iii) License Fees	1,043,000	0	0	0	1,074,400	0	0	0
(iv) Other revenue	11,988,682	2,433,135	1,913,325	519,810	11,134,000	2,273,740	1,725,835	547,905
Total	25,624,233	3,242,981	2,472,540	770,441	18,243,324	3,097,165	2,290,136	807,029

2.2.2 Performance in Collecting Revenues

Following are the observations regarding the revenue collection performance of the Sabha.

	Audit Observation	Comments of the council	Recommendation
(a)	The outstanding assessment and acreage tax of Rs.159,417, which have been going on for more than a year, had not collected in the year under review too.	Action is taken to collect the outstanding balances.	Action should be taken to collect outstanding assessment and acreage tax.
(b)	Outstanding shop rent and arrears rent fines amounting to Rs.204,243 which have been going on for more	Necessary activities are being carried out to cut off the incomes that	Actions should be taken to recover the rents in due time.

than a year, had not been collected in the year under review too.

could not be recovered due to the inability to identify the owners and natural calamities and other outstanding balances are being recovered.

- (c) The outstanding water tariffs of Rs. 234,305 which have been going on for more than a year, had not been not recovered during the year under review too.

Shopkeepers have requested to cut off Rs.112, 987 from the outstanding income. Actions are taken to collect other outstanding income.

Actions should be taken to collect the outstanding water tariffs.

- (d) The stamp duty amounting to Rs. 2,284,627 had not been collected on 31 December of the year under review.

Court fines and stamp fees amounting to Rs.899,697 As on 31.03.2024, have been received.

Actions should be taken to bring in the remaining revenue.

3. Operational Review

3.1 Performance of functions assigned by the Act

Under section 3 of the Pradeshiya Sabhas Act, facts that were observed regarding the performance of the Sabha's duties of regularizing and controlling the matters of public health, public utility services and public roads, comfort, convenience and welfare of the people are as follows.

Not getting the expected benefits

Audit Observation	Comments of the council	Recommendation
(a) Although the fees collected from local and foreign tourists visiting the Dunhinda waterfall are the main source of income of the Sabha, it was observed that no attention had been paid to the sanitary facilities of the local and foreign tourists visiting the waterfall due to the lack of sufficient water facilities in a place with public facilities.	Development proposals have been invited to provide allocations from the Line Ministry and Provincial Council (Tourism) and related facilities will be developed based on the relevant allocations.	Public facilities should be created so that the needs of tourists can be easily fulfilled.

(b)	Although the Pradeshiya Sabha should ensure the safety of the tourists visiting the waterfall, measures had not been taken to prevent the problems related to the construction of fences at the unsafe places on the road from the access road to the waterfall, the removal of decayed trees leaning on the road and the harassment for the tourists from the monkeys that are often on the sides of the road.	-Do-	Adequate safety arrangements should be implemented for the safety of tourists
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3.2 Management inefficiencies

Audit Observation	Comments of the council	Recommendation
No action had been taken to settle the creditor balance of Rs. 7,431,386 from the year 2017 or to take appropriate action during the year under review.	Actions are taken to make the payment of vouchers capable of paying and submit other balances to the Management Committee for decision.	Actions should be taken to settle the Creditor balances.

3.3 Asset Management

Audit Observation	Comments of the council	Recommendation
(a) The ownership of a tractor, a trailer, a water bowser, and a lorry water bowser used by the council had not been taken over by 31 December of the year under review.	Actions are taken to take them over in the future.	Actions should be taken to vest the ownership of assets in the council.
(b) A water bowser belonging to the Sabha had been parked in the council premises without being used since 2019.	Actions will be taken to obtain the committee approval in the future for the disposal of the assets which are not in a usable condition.	Actions should be taken to maintain and use the assets.