

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Horana Pradeshiya Sabha including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in net assets/equity, 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 the provisions of the 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 HoranaPradeshiyaSabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

**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 Sri Lanka Public Sector Accounting Standards for Local Authorities. 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 PradeshiyaSabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the PradeshiyaSabha 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 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

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- (a) Financial Statements of the Pradeshiya Sabha as per the requirement mentioned in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

## 1.6 Audit observations regarding the preparation of financial statements

### 1.6.1 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	The revaluation deficit or surplus for assets recognized during the year under review amounting to Rs.24,984,628 was not accounted in the financial statements.	It will be corrected in the financial statements of the year 2024.	The account should be prepared accurately.
(b)	Although the depreciation of library books for the year under review was Rs.3,207,505, it was accounted as Rs.3,157,145.	-do-	-do-

## 2. Financial Review

### 2.1 Financial results

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 117,136,358 as compared with the excess of revenue over expenditure amounting to Rs. 135,849,195 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 Secretary, estimated revenue, billed revenue, collected revenue and arrears related to the year under review and the previous year are as follows.

Source of Revenue	2023				2022			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
(i) Rates and Tax	15,483,588	15,838,693	12,858,172	7,580,589	18,152,892	18,036,889	31,987,194	8,457,587
(ii) Rent	2,091,000	1,996,560	1,945,560	51,000	2,291,600	2,002,040	2,276,540	20,500
(iii) License fees	3,717,000	4,693,176	4,670,176	23,000	2,761,000	1,297,879	2,552,803	34,000
(iv) Other Revenue	-	-	-	-	172,829,537	-	170,939,034	-
	21,291,588	22,528,429	19,473,908	7,654,589	196,035,029	21,336,808	207,755,571	8,512,087

## 2.2.2 Performance in Revenue Collection

Observations regarding the revenue collection performance of the Sabha are given below.

	<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a)	<b>Rates and Taxes</b> As at 31 December of the year under review, 431 assessed units from 05 to 10years were Rs.1,412,713, and a deficit of Rs.261,895 from 79 units that have been in existence for more than 10 years.	Priority was given to properties older than 05 years and 10 years in the property ban process.	Arrangements should be made to collect the arrears of income promptly.
(b)	<b>Other Income</b> The court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities on 31 December 2023 were Rs.41,122,097 and stamp duty was Rs.265,429,466.	The proposed amount to cut court fines is Rs.16,122,097. The schedules are being prepared to recover the balance.	-do-

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
The public health inspectors had not submitted a report to the sabha including the business places where the food samples were taken and the results after the inspection in settling the advance related to the inspection of food samples.	In the future, all health officials have been informed that relevant reports should be provided.	The relevant report should be obtained and further action should be taken regarding the food outlets that are unfit for consumption

### 3.2 Assets Management

<b>Audit Observation</b>	<b>Comment of the Sabha</b>	<b>Recommendation</b>
(a) 02 tractors that are not in running condition have not been repaired.	There was no provision in 2023 for repairs and further work will be done in 2024.	Assets should be utilized with maximum efficiency.
(b) ) Two cabs used by the Sabha hah not been assigned to the Sabha.	Many activities related to taking over have been completed.	Actions should be taken as per circular.
(c) 16 cemeteries within the area of the Sabha were not assigned to the Sabha.	The acquisition of the cemetery with the Divisional Secretaries is in progress.	Action should be taken to transfer the ownership of cemeteries to the name of the sabha.