Soranathota Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Soranathota Pradeshiya Sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Consolidation Cash Flow Statement,Statement of Changes in equity, 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of 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 the financial statements give a true and fair view of the financial position of the Soranathota Pradeshiya Sabhaas at 31 December 2024, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices.

1.2 Basis for 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 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 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 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 pradeshiyasabha, and whether such systems, procedures, books, records and other documents are in effective operation,

- Whether the pradeshiyasabha has complied with applicable written law, or other general or special directions issued by the governing body of the pradeshiyasabha

- Whether it has performed according to its powers, functions and duties, and

- Whether the resources of the PradeshiyaSabhahad 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

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

(a) The financial statements of the pradeshiyasabha 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 the recommendations made by me in the previous year of this report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
According to the income statement certified by the Council Secretary, there was a difference of Rs. 20,000 between the total of assessments and taxes, rents, license fees and other income and the balance as per the statement of financial operations for the year ended 31st December 2024.	The difference arose due to the overstatement of the balance included in the draft.	The accounts must be corrected.

1.7 Non- Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc. as follows.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
Financial Regulations 134(3) of the Democratic Socialist Republic of Sri Lanka	Internal audit reports had not been submitted to the Auditor General for over 05 years.	That reports will be sent in the future.	Internal audit reports must be submitted to the Auditor General in accordance with financial regulations.

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. 6,150,023 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 168,211 in the preceding year.

2.2 Revenue Administration

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

The information on estimated revenue, billed revenue, collected revenue and arrears of revenue submitted by the Council Secretary for the year under review and the previous year is shown below.

		2024				2023			
	Source of income	**Estimated Revenue**	**Revenueb illed**	**Revenue collected**	**Total Arrears as at 31 December**	**Estimated Revenue**	**Revenueb illed**	**Revenue collected**	**Total Arrears as at 31 December**
		Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
(i)	Rates and Taxes	12,465,102	12,465,102	11,798,375	1,045,115	11,387,351	6,617,597	6,059,978	972,212
(ii)	Rent	1,110,650	1,110,650	1,053,325	143,992	1,205,200	714,650	529,800	407,946
(iii)	License fees	900,300	730,520	730,520	-	1,043,000	663,505	663,505	-
(iv)	Other Revenue	6,688,133	6,688,133	2,747,602	4,304,008	11,988,682	5,309,922	1,702,134	3,184,324
	Total	**21,164,185**	**20,994,405**	**16,329,822**	**5,493,115**	**25,624,233**	**13,305,674**	**8,955,417**	**4,564,482**

2.2.2 Court fines and Stamp duty

Audit Observation	**Comments of the Council**	**Recommendation**
Court fines of Rs. 368,233 and stamp duty of Rs. 3,935,776, which were due as of December 31st of the year under review, had not been collected from the Chief Secretary of the Provincial Council and other authorities.	There is a delay in the receipt of court fines and stamp duty payments to the Council during the reporting year.	Arrears of court fines and stamp duties should be collected.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Council	Recommendation
For the 6-month period from January to June 2024, the income of 04 water projects was Rs. 369,185 and the expenditure was Rs. 1,901,079, so the expenditure was very high compared to the income of the water projects.	Action will be taken regarding the availability of water from the Water and Drainage Board by making a council decision in the future.	Steps should be taken to provide clean drinking water to the public in a manner that minimizes costs.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
A 100 kg digital floor scale worth Rs. 129,900, which had been purchased in the previous year for waste management activities utilizing funds from the Local Development Support Project (LDSP), had been kept in the council premises for over a year without being used for the intended purpose up to 31st December of the year under review.	It is expected that the assets will be used for an asset exchange or for another more appropriate purpose based on a council decision in the future.	Assets should be used for productive purposes.

4. Accountability and Good Governance

Budgetary Control

Audit Observation	Comments of the Council	Recommendation
When comparing the estimated income and expenditure as per the budget prepared by the PradeshiyaSabha for the year under review with the actual income and expenditure of the year, there were variations ranging from 26 percent to 68 percent in 03 revenue items and from 20 percent to 98 percent in 05 expenditure items. Accordingly, the budget had not been used as an effective control instrument.	Income has increased due to the improvement in the economy compared to previous years. Also, the decrease in price levels and restriction of expenses compared to previous years have been the reasons for the variation.	Variability in income and expenditure should be minimized.