

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Maskeliya Pradeshiya Sabha for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 and the income and expenditure account, and other explanatory information, including a summary of significant accounting policies, 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 Pradesiya Sabhas Act, No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Maskeliya Pradeshiya Sabha as at 31 December 2022, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practices for Local Authorities.

1.2 Basis for Qualified Opinion

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

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 this 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 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 Pradeshiya Sabha's financial reporting process.

As per Sub-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 to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 the 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 the Pradeshiya Sabha 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

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

- (a) The Financial Statements presented are consistent with that of the preceding year as required by Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- (b) The recommendations made by me during the previous year are included in the financial statements presented as required by 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 Accounting Policies

Audit Observation	Comment of the Sabha	Recommendation
Although there were 08 court cases related to the Sabha, they had not been disclosed in the financial statements.	Disclosures will be made in the 2023 financial statements in the future.	Disclosures should be made in the financial statements regarding the court cases

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) The remaining stock of stationery worth Rs. 66,200 as at the end of the year under review had been brought to account as an expenditure of the year.	This will be corrected in the preparation of 2023 financial statements.	Accounts should be correctly prepared.
(b) Stocks of 67 stores items totaled Rs. 57,200 and the organic fertilizer stocks worth Rs. 350,560 had not been brought to account.	- Do -	Accuracy should be ensured in the process of accounting.
(c) Although advertisement boards revenue of Rs. 1,053,852 had been billed for the year under review, a sum of Rs. 109,128 had been brought to account as the revenue for the year. As a result, a sum of Rs.944,724 had been understated in the accounts. Further, the advertisement boards revenue of Rs. 79,128 received for the preceding year had been brought to account as a revenue for the year under review.	- Do -	Revenue of the year should be correctly identified and brought to account.
(d) Advertisement boards revenue of Rs. 1,028,852 receivable as at the end of the year under review had not been brought to account under the current assets.	- Do -	Accuracy should be ensured in the process of accounting.

1.7 Non-compliance

Non-compliance with laws, rules, and regulations.

Instances of non-compliance with laws, rules, and regulations are given below.

Reference to laws, rules, and regulations	Non-compliance	Comment of the Sabha	Recommendation
(a) Section 12 of the by-laws regarding the inspection of plans and levy of fees published in Extraordinary Gazette No. 1955/7 dated 23 February 2016 of the Democratic Socialist Republic of Sri Lanka	The Pradeshiya Sabha had not taken over the extent of 1.9 acres of land to be acquired for community and entertainment activities related to the Upcut Meeriyakotte estate, which has been developed and sold from the year 2018.	Necessary arrangements are being made to take over the relevant parcel of land by the Sabha.	Arrangements should be made to take over the ownership of the lands.
(b) Circulars of the Commissioner of Local Government.			
I. Circular No. 2016/3 dated 17 March 2016	Although down payments of 08 stalls had been made as a lump sum payment, lease agreements had not been signed even by the end of the year under review.	Action has been taken to enter into agreements according to the relevant circular with the parties who are running businesses in those stalls.	Action should be taken in accordance with the circular guidelines.
(i) Paragraph 1 (III)			
(ii) Paragraph 08 (I)	Seven stalls had been subleased to another parties outside the lessee.	Action has been taken to enter into agreements with the parties who are running businesses in those shops.	Action should be taken in accordance with the circular guidelines.
II. Circular No. 1988/22 dated 17 May 1988	Although properties should be assessed at least once in 05 years to determine Rates, such property assessment had not been carried out after 2010.	This matter has been brought to the notice of the Department of Valuation.	Action should be taken in accordance with the circular guidelines.
III. Circular No. 17	The stall rent should be revised at least once in 05 years. However, without doing so, rents of 12 stalls	Initial arrangements have been made to enter into new agreements in	Action should be taken in accordance with the circular guidelines.
©ප/පා.පා.කො/2016/03 dated 17 March 2016			

were being levied based on the stall rents assessed in the year 2009. accordance with the circular of the Commissioner of Local Government, Central Province.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 505,237 for the year ended on 31 December 2022 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 1,046,051.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Chairman, the particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

Source of Revenue	2022				2021			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	4,129,674	3,431,933	4,302,044	1,358,047	5,073,570	3,091,131	3,508,880	2,228,158
(ii) Stall Rents	8,232,900	5,148,100	3,727,413	3,933,984	9,349,160	4,900,500	6,870,840	2,513,297
(iii) License Fees	1,511,000	1,391,422	1,391,422	-	1,711,000	1,200,000	994,492	-
(iv) Other Revenue	63,050,973	2,376,301	1,692,400	2,764,492	61,836,293	6,000,000	23,629,490	2,080,591
Total	<u>76,924,547</u>	<u>12,347,756</u>	<u>11,113,279</u>	<u>8,056,523</u>	<u>77,970,023</u>	<u>15,191,631</u>	<u>35,003,702</u>	<u>6,822,046</u>

2.2.2 Performance in Collecting Revenue

Performance on the collection of revenue of the Sabha is indicated below.

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
There was an outstanding balance of Rs. 760,738 by the end of the year under review, and it included an amount of Rs. 446,166 overdue from	The properties of the Rates defaulters are due to be prohibited.	Arrears of revenue should be recovered.

65 assessment units that continued to exist for more than a period of 04 years.

(b) Rent

Rent of Rs. 2,141,384 had not been recovered from 22 stalls relating to the period from 2018 to 2021.

The initial steps of the legal proceedings have already been taken regarding the overdue amounts.

Arrears of revenue should be recovered.

(c) Other Revenue

Advertisement boards charges of Rs. 947,772 stated in the financial statements for the year under review had not been recovered, and according to the audit test check, charges of Rs. 491,025 related to 120 advertisement boards displayed in the Pradeshiya Sabha area had not been billed.

Arrangements are being made to recover the charges in the year 2023.

Revenue should be recovered.

(d) Court fines and stamp duties

The court fines and the stamp duty that remained receivable from the Chief Secretary and the other authorities of the provincial council amounted to Rs. 2,255,512 and Rs.508,880, respectively, as at 31 December of the year under review.

Request letters along with the related schedules have been referred to the Chief Secretariat to recover the court fines.

Action should be taken to recover the revenue.

3. Operating Review

3.1 Execution of duties entrusted by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act , being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

Audit Observation	Comment of the Sabha	Recommendation
(a) The business places as well as residential buildings on the main street of the Upcut town had been constructed closed to the road, and accordingly, there was no pavement for pedestrians to walk on and constructions had been done so as to block the drain system on both sides of the road. Wastewater of the business places and houses had been discharged to the main road.	A suitable arrangement will be made in consultation with the Road Development Authority in the future.	Action should be taken in accordance with the provisions of the Act.

- | | | | |
|-----|--|--|--|
| (b) | The public toilet on the 2 nd Street in Maskeliya town had been left to decay without attending to repairs and two toilets on the ground floor of the public toilet near the bus stand had been closed. | It has been now cleaned and restored to usable condition. | Action should be taken in accordance with the provisions of the Act. |
| (c) | Plans had been made to develop 05 kilometres of roads in the area of the Sabha during the year under review and the progress had been stated as 85 per cent in the performance report. Nevertheless, less than 500 meters had been developed under 02 road projects during the year. | Action will be taken to increase the percentage of performance indicators implemented during the year. | Action should be taken to complete works in accordance with the plans. |

3.2 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Value of 13 water tanks, 01 television, and 10 equipment of the Recarton Waste Collection Centre as at 31 December of the year under review had not been identified and brought to account. Furthermore, these items of equipment had not been inventoried.	Action will be taken to identify values and account for them.	Fixed assets should be accounted for.
(b) Value of 22 lands and buildings had not been assessed and brought to account.	Value of lands and buildings will be correctly identified and brought to account in due course.	Assets should be valued and brought to accounts.

3.3 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
(a) Arrangements had not been made to take over the ownership of the land on which the Recarton Waste yard is located and 35 other lands being used by the Sabha.	The Divisional Secretary and the Commissioner of Local Government has been informed to take over ownership of the lands.	The ownership of the lands should be taken over.
(b) Boundaries of the land with the quarters belonging to the Maskeliya Presdeshiya Sabha had not been demarcated and a house had been constructed on the land without permission.	The official quarters has been repaired and a court case is being tried at the Hatton District Court regarding the unauthorized construction.	Assets should be properly maintained and unauthorized access should be prevented.
(c) There were no boundaries in the Maskelya public cemetery and monuments had been	Estimates have been sent to the Ministry to repair the	Action should be taken to repair and

permanently constructed using cements. fence. maintain the assets.
 No charges had been levied and permission of the Sabha had not been obtained for this purpose. Burials had been done without obtaining permission of the Sabha.

- (d) The roofs of the Seetha Gangula pilgrim rest and the Gangulathenna Resort had been decayed and the buildings remained dilapidated. No action had been taken to repair these buildings, including the kitchen located at Nallathanniya main vehicle yard. Relevant repairs will be carried out. Assets should be repaired.

3.4 Human Resource Management

Audit Observation	Comment of the Sabha	Recommendation
There were 68 vacancies of 16 positions by the end of the year under review, of which 21 vacancies represented the Health Labourers and 15 represented Field Labourers.	Since the posts should be approved by the Central Provincial Public Services Commission, these vacancies have not been filled thus far.	Vacancies should be filled.

3.5 Vehicle Fleet Management

Audit Observation	Comment of the Sabha	Recommendation
Although 02 vehicles owned by the Sabha had been handed over to a private garage for their repairs before 04 years, the vehicles had been parked in the garage without doing repairs up to the end of the year under review.	Due to the lack of provisions, vehicles could not be referred to repairs.	Vehicles should be repaired and brought back.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Sabha	Recommendation
When comparing the estimated income and expenditure with the actual income and expenditure according to the budget prepared for the year under review, variations ranging from 04 per	Action will be taken to prepare budget estimate so as to minimize the variations.	Budget should be prepared with due cautions in keeping with the requirements,

cent to 70 per cent were observed relating to 06 items of income and variations ranging from 07 per cent to 85 per cent were observed relating to 06 items of expenditure. Accordingly, the budget had not been made use of as an effective instrument of control.

4.2 Environmental Issue

Audit Observation

A private land owner and a religious place in the close proximity of the Nallathanniya sacred site had cut a large amount of soil, built buildings and walls, and dumped the soil and stones into the waterways, causing environmental damage. Furthermore, cabanas were being built after clearing the forest in another location without permission.

Comment of the Sabha

The unauthorized construction around the Nallathanniya sacred site will be inspected and necessary action will be taken accordingly.

Recommendation

Legal action should be taken against the unauthorized constructions.

4.3 Sustainable Development Goals

Audit Observation

Although 22 targets had been established under 07 sustainable development goals of the Sabha, examined 11 targets had not been achieved by the end of the year under review.

Comment of the Sabha

Action will be taken to achieve the relevant targets minimizing shortcomings.

Recommendation

Action should be taken in accordance with the targets established.