

1. Financial statement

1.1 Qualified Opinion

The audit of the financial statements of the Maskeliya Pradeshiya Sabha for the year ended 31 December 2023 comprising with the Balance Sheet as at 31December 2023 and Income and Expenditure Account, 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. 15of 1987 and National Audit Act No. 19of 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 1.6of this report, the financial statements give a true and fair view of the financial position of the Maskeliya Pradeshiya Sabha as at 31December 2023, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Practices

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report in respect of 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 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 the 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

Those charged with governance are responsible for overseeing the financial reporting process of the Pradeshiya Sabha. 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 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 misstatements, 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 a part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also,

- Appropriate audit procedures were designed and performed identify and asses the risks of material misstatements in financial statements whether due to fraud or error 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 an 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 procedure 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 discourses, 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:
The scope of audit has also been widened to examine the following as far as possible and whenever necessary.
- 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 compiled 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

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

- 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.
- The recommendations made by me during the previous year are included in the financial statements as requirement by Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018 except observations (a) and (d) in paragraph 1.2.2 of this report.

1.6 Audit Observations on Preparation of Financial Statements

1.6.1 Accounting deficiencies

	Audit Observation	Comments of the Sabha	Recommendation
(a)	A sum of Rs.805,711 as Court fine income and an amount of Rs.2,240,030 as stamp duty income had been understated for the year under review.	That action will be taken to rectify in the preparation of financial statements for the year 2024	Action should be taken to correct Accounts.
(b)	The cost of 13 water tanks, 01 television set, 12 library books and 10 equipment in the garbage collection center as on the last date of the year under review had not been recognized and accounted under fixed assets.	That action is taken to identify the cost and those items are accounted for in the fixed asset register.	Action should be taken to account for correctly.

1.7 Non-compliance

1.7.1 Non-compliance with laws, rules, regulations and management decisions

Below are the occasions where laws, rules and regulations were not complied with.

	Reference to laws, rules, regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Acts Pradeshiya Sabhas Act No.15 of 1987			

Section 47 (2) (1)	No legal action had been taken in respect of 03 buildings whose construction had been completed before the building plans were approved in the year under review.	That action will be taken to stop the construction carried out by the applicants and take steps to legalize the construction.	Action should be taken to act in accordance with the provisions of the Act.
(b) Circular of Local Government Commissioner			
i Circular No.3/2016 dated 17 March 2016	(a) Although the lump sum of 8 stalls had been paid at once, valid lease agreements had not been signed even by the end of the year under review.	That action is taken in the future to get the lease agreements signed.	Instructions in compliance with the circular should be followed.
	(b) Even though the stall rent should be revised at least once in 05 years, the sabha had continued to charge the stall rent assessed in 2009 without having taken such action.	That action is taken to assess in the future.	Instructions in compliance with the circular should be followed.
ii Circular No.1988/22 dated 17 May 2018	Although the property should be assessed for assessment tax at least once in 05 years, after the year 2010 the property had not been assessed for assessment tax.	That assessment of rates is currently being carried out by the Government Valuation Department	Instructions in compliance with the circular should be followed.

1.8 Transactions not confirmed by sufficient authority

Audit Observation	Comments of the sabha	Recommendation
According to section 108 of the Pradeshiya Sabhas Act No. 15 of 1987, the Pradeasiya sabha has been responsible for providing public facilities in a public area, but without the approval of the Pradeasiya sabha, bathing places had been set up for the devotees who come during the Sri Pada pilgrimage season, and the brand names of a private company had displayed in connection with it and arrangement had been made to collect revenue by external parties.	That the relevant parties have been informed for charging fees.	Provision of public facilities should be carried out by the sabha and efforts should be made to increase sabha's income.

2. Financial review

2.1 Financial results

According to the presented financial statements, the income exceeding the recurring expenditure of the sabha for the year ending 31 December of the year under review was Rs.5,974,851 and correspondingly the income exceeding the recurring expenditure of the previous year was Rs.505,237.

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, collected Revenues and Outstanding Revenues

As per the information submitted by the secretary, the following is the information about the estimated income, billed income, collected income and arrears related to the year under review and the previous year.

		2023			2022				
	Source of income	Estimate d income	Billed income	Collected revenue	Total deficit as on 31 December	Estimate d income	Billed income	Collected revenue	Total deficit as on 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Assessment tax	4,513,141	3,202,897	3,277,795	1,283,150	4,129,674	3,431,933	4,302,044	1,358,047
(ii)	stall Rents	9,139,000	10,022,200	7,547,849	6,408,335	8,232,900	5,148,100	3,727,413	3,933,984
(iii)	License Fees	1,261,000	1,719,098	1,719,098	-	1,511,000	1,391,422	1,391,422	-
(iv)	Other income	70,172,362	22,890,490	6,145,391	19,509,591	63,050,973	2,376,301	1,692,400	2,764,492
		<u>85,085,503</u>	<u>37,834,685</u>	<u>18,690,133</u>	<u>27,201,076</u>	<u>76,924,547</u>	<u>12,347,756</u>	<u>11,113,279</u>	<u>8,056,523</u>

2.2.2 Performance on Revenue collection

	Audit Observation	Comments of the sabha	Recommendation
(a)	Assessment Taxes Total arrears of revenue of Rs. 1,762,927 had not been collected without taking action in accordance with Sections 158 and 159 of the Pradeshiya Sabhas Act No. 15 of 1987. As of 31 December of the year under review, the assessment tax of Rs.561,558 from 74 units assigned by the Ambagamuwa Pradeshiya Sabha had not been collected due since before 2018.	That a property Seized program has been organized to collect arrears.	Arrears should be collected.

(b) Rents

In the year under review, there were billings of Rs.719,000 for 19 stalls, but only Rs.215,550 or 30 percent had been collected. The stall rent shortfall for the period from 2018 to 2021 was Rs.1,168,235.

At the end of the contract period, when taking over the stalls again, the related arrears can be collected from the deposit.

Action should be taken to collect Arrears revenue

(c) Other income

According to the sample physical inspection, Rs.60,900 had not been recovered from 24 advertisement in the Nallathanniya area by 31 December of the year under review.

That arrangements are being made to collect the money

Revenue should be collected.

(d) Court Fines and Stamp duty

Court fines that should have been received from the Chief Secretary of the Provincial Sabha and other authorities on the last day of the year under review were Rs. 661,121 and stamp duty was Rs.18,848,470.

That the schedules have been submitted to collect the relevant court fines and stamp duty

Revenue should be collected.

3. Operational Review

3.1 Performance of functions assigned by the Act.

Under Section 3 of the Pradeshiya Sabhas Act, the matters observed regarding the regularization and control of matters relating to public health, public utility services and public roads, and the fulfillment of the duties of the sabha, which should have been performed by the sabha, are listed below.

Audit Observation	Comments of the sabha	Recommendation
In accordance with Section 96 of the Pradeshiya Sabhas Act No. 15 of 1987, drinking water had been distributed to 76 consumers without treatment even when the bacterial standard value was exceeded according to SLS 614. 2013 of the upcut water scheme belonging to the sabha.	That estimates have already been prepared and forwarded for the preparation of a treatment tank as the provision has been allocated at present.	Clean drinking water should be provided

3.2 Management inefficiencies

	Audit Observation	Comments of the sabha	Recommendation
(a)	Action had not been taken acquire the land used by the sabha for the Riccarton garbage yard and 35 other plots of land .	That letters have been sent to the Norwood Divisional Secretary in this regard.	Arrangements should be made to acquire the property
(b)	According to the assessment report of the Valuation department dated 13 June of the year under review, due to the collection of old stall rent without charging the stall rent, an income of Rs.220,200 for a period of 06 months in relation to 12 stall rooms had been lost.	That the assessed rent will be charged in future	Action should be taken to charge the assessed Rent.

3.3 Assets management

	Audit Observation	Comments of the sabha	Recommendation
(a)	A cab and a tractor belonging to the sabha had been parked idle in a garage in Maskeliya area for almost 5 years from 2018 and the engine number mentioned in the registration certificate of the cab contradicted the engine number that was physically observed.	That there is no mention in the documents provided in respect of a difference between the number mentioned in the engine number book and the existing engine number	The reasons for the change in engine number should be checked.
(b)	40 machineries and furniture and office equipment whose value was not recognized at the end of the year under review remained inactive and underutilized from the year 2018 to 31 January of the year under review.	That the goods have been stored for availability at the required times as the available space is not sufficient.	Action should be taken to utilize Assets effectively.
(c)	In the year 2020, 03 temporary stalls that were built at a cost of Rs. 583,429 had been closed.	That arrangements have been taken to use as the warehouse of the sabha	Stall should be used for the relevant purpose.
(d)	A private land owner and a religious place had cut the earth without permission, set up buildings and walls and dumped the soil and stones into the nearby waterways causing environmental damage in the vicinity of the Nallathanniya shrine. Also, at another place, cabanas were being built using block stones having cleared the unauthorized forest.	That letters have been issued to stop this construction.	Necessary actions should be taken.

3.4 Human Resource Management

Audit Observation

As on 31 December of the year under review, there were 69 vacancies in 17 approved posts of cadre.

Comments of the sabha

That the vacancies have not been filled so far as the posts have to be approved by the Secretary of the Central Provincial Public Service Commission.

Recommendation

Action should be taken to fill the vacancies.