

Maskeliya Pradeshiya Sabha - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Maskeliya Pradeshiya Sabha for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the income and expenditure account, and notes to the financial statements, 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 Pradeshiya 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 2020, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based 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 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 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.

- The financial statements of the Pradeshiya Sabha are in consistence with that of the previous 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 presented 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 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(a) Although it had been noted in Journal No. 5 that the discounts of Rs. 150,833 given for the acreage tax and assessment tax were credited to the Aid and Subsidy Account Instead of crediting to the Discount Account, the money had not been credited to the Aid and Subsidy Account.	Action will be taken to correct this in the preparation of financial statements for the year 2021.	Adjustments made through journal entries should be correctly copied to the accounts.
(b) When adjusting the receipts and payments for the year 2020 to the income and expenditure accounts, the total amount debited by Journal No. 02 was Rs.90,353,748 and the total amount credited was Rs.87,789,330. Accordingly, there was a difference of Rs.2,564,418.	This difference is shown by the separate adjustment of receipts and payments in Journal No. 02 and the adjustment of value of receipts and payments separately without being debited and credited the total value of receipts and payments to the cash account.	This errors should be identified and corrected in the preparation of financial statements for the ensuing year.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 2,308,018 for the year ended on 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 2,897,062

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and Taxes		
Recovery of Rates for the year 2020 was Rs.814,664 or 47 per cent of the arrears of Rs.1,743,179 and collection of revenue was Rs.1,744,973 of the billed revenue of Rs.2,832,647.	Action is being taken to issue final red notices for the first quarter of 2021.	Action should be taken to recover revenue.
(b) Rent		
Although action should be taken to recover the billed revenue during the year, the recovery from the billed revenue for rent charges during the year under review was . Rs. 3,210,600.	Governor's approval has been sought to write off the money that could not be recovered due to Covid situation.	Action should be taken to recover revenue.
(c) Tender Tax		
Although the money due on the property leased through the tender should be recovered before December 31 of the financial year, a sum of Rs. 4,606,750 remained recoverable as at 31 December of the year under review.	Initial legal proceedings have been commenced to recover the tender money in arrears.	Action should be taken to recover revenue.
(d) Court fines and stamp duty		
No action had been taken to recover the Court fines of Rs. 1,275,704 and Stamp Duty of Rs. 213,000 due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review.	Requests have been made to obtain money.	Action should be taken to recover revenue.

3. Operating Review

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.

3.1 Management Inefficiencies

Audit Observation	Comment of the Sabha	Recommendation
----- Out of 67 building applications received by the Sabha in 2018, approval had been granted only for 50 applications even by 01 November 2021. Due to land issues and not receiving the approval of the National Building Research Institute, 17 applications have not been approved as yet.	----- Due to land issues and not receiving the approval of the National Building Research Institute, 17 applications have not been approved as yet. Having done follow up on the unauthorized constructions, awareness letters have been sent.	----- Activities should be carried out efficiently.

3.2 Assets Management

Audit Observation	Comment of the Sabha	Recommendation
----- The ownership of of 35 plots of land on which there are various building industries and constructions under the Sabha is in possession of the Ambagamuwa Divisional Secretariat, the Electricity Board and the Forest Department and their legal ownership had not been transferred to the Pradeshiya Sabha.	----- The District Secretary and the Hon. Governor have been informed in this regard.	----- Assets should be taken over to confirm the ownership legally.

4. Accountability and Good Governance

4.1 Environmental Issues

Audit Observation	Comment of the Sabha	Recommendation
----- Following the establishment of the Maskeliya Pradeshiya Sabha in the year 2018, no environmental licenses had been issued for 27 expired licenses issued by the Ambagamuwa Pradeshiya Sabha and 11 newly identified businesses to be issued licences within the jurisdiction of the Pradeshiya Sabha.	----- Letters have been sent for the renewal of environmental licenses.	----- Action should be taken to issue environmental licenses.