

Maskeliya Pradeshiya Sabha -2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Maskeliya Pradeshiya Sabha for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the income and expenditure account including a summary of significant accounting policies and other explanatory 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 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 2021, 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.

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 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.

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 required by 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 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 Deficiencies

Audit Observation -----	Comment of the Sabha -----	Recommendation -----
(a) Without being accounted as income, the tender form charges amounting to Rs.98,000 in the year under review had been shown as refundable deposits in the general deposit register.	It has been informed that the shortcomings will be rectified in the year 2022 and the correct balances will be adjusted in the preparation of financial statements.	Revenue should be properly identified and brought to account.
(b) The expenditure of Rs.1,959,032 incurred by the Sabha for the construction of 10 temporary shops and the expenditure of Rs.19,200 incurred for the purchase of 08 units of fixed assets had not been capitalized.	As pointed out in the audit, it has been informed that the relevant value will be corrected in the preparation of the final accounts for the year 2022.	Assets should be capitalized.
(c) In relation to one instance, the debtors totalling Rs. 50,000 had been overstated and creditors of Rs.121,258 had been understated in the financial statements.	It has been informed that the error will be corrected in the year 2022.	Financial statements should be prepared correctly.

1.6.2 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
There were non-reconciliations totalling Rs.385,608, including Rs. 313,627 in the assessment tax schedule and Rs. 71,981 in the acreage tax schedule with the financial statements of the year under review.	It has been informed that they will be correctly identified and properly accounted for in the preparation of the final accounts in the year 2022.	Differences in account balances should be looked into and accordingly relevant schedules or financial statements should be corrected.

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. 1,046,051 as at 31 December 2021 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 2,308,018.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
Rent The shop rent of Rs. 2,513,297 which should be collected from 25 people for 26 shops of the Sabha had not been collected from the year 2018 to the year under review.	It has been informed that after taking legal action, 05 court cases have been filed, matters relating outstanding of 14 shops have been referred to the Arbitration Board and the Governor's approval has been sought to write off Rs. 135,750 .	Arrears of revenue should be recovered.

3. Accountability and Good Governance

3.1 Environmental Issues

Audit Observation

In accordance with the National Environmental Act No. 1980/04 as amended by Acts No. 53 of 2000 and No. 56 of 1988 and the regulations enacted thereunder, the Environmental Protection Licence for 09 businesses that should obtain environmental protection licenses, renew licenses and maintain business activities in terms of Extraordinary Gazette No. 1523/16 dated 25 January 2008 had not been issued even by the date of audit on 14 February 2022.

Comment of the Sabha

It has been informed that the issuance of licences has been delayed due to reasons such as failure to meet environmental committees due to prevailing situation, temporary closure of 02 businesses due to crisis conditions, etc., and it is expected to issue licences by 15 September 2022.

Recommendation

Action should be taken to issue the Environmental Protection Licences without delay.