

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Maskeliya Pradeshiya Sabha for the year ended 31 December 2024 comprising with the Balance Sheet as at 31 December 2024 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. 15 of 1987 and sub-section 10 (1) of National Audit Act No. 19 of 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 1.6 of this report, the financial statements give a true and fair view of the financial position of the Maskeliya Pradeshiya Sabha as at 31 December 2024, and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

**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 my report. I believe that 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 determines 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 Pradeshiy sabha's financial reporting process.

As per Section 16(1) of 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 of the Sabha.

#### 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 exercise professional judgement and maintain professional scepticism throughout the audit. I also

- Appropriate audit procedure 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 Pradeshiya Sabha's internal control
- Evaluate the 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
- 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 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 discussions issued by the governing body of the company
- 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 the other legal requirements

The special provisions had been inserted in the National Audit Act No.19 of 2018 in relation to the under-mentioned requirements.

- (a) The financial statements of the Pradeshiya Sabha are consistent with the preceding year as per the requirement of the 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 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

#### Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total expenditure of Rs.3,299,457 on two development projects during the year under review had not been capitalized.	The correction will be made when preparing the final account for 2025.	Accounts should be prepared correctly.
(b) Although the deficit as at the end of the year under review as per the advertisement board fee registry was Rs.1,704,525, the balance sheet had recorded as Rs.1,245,575, with an understatement by Rs.454,950.	-Do-	-Do-
(c) Furniture and equipment worth Rs.199,791 had not been accounted for as at the end of the year under review.	-Do-	-Do-

### 1.7 Non- Compliances

#### Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows

Reference to Laws, Rules Regulations	Non-compliance	Comments of the Sabha	Recommendation
(a) Parliament Acts			
(i) The Planning and Building Regulations as amended under Section 21 of the Urban Development Authority Act, No. 41 of 1978, published in the Extraordinary Gazette Notification of the	Certificates of conformity had not been issued for 61 development permits approved during the period from 2018 to 2023.	Actions will be taken to issue certificates of conformity.	Certificates of conformity should be issued for constructions used for residential purposes.

Democratic Socialist  
Republic of Sri Lanka  
No. 2235/54 dated 08  
July 2021, read with  
Section 08 of that Act.

- |  |   |   |  |   |
|--|---|---|--|---|
| (ii)   | Pradeshiya Sabha Act No. 15 of 1987<br>(a) Section 24 (1) (a) (b)   | 26 roads were included in the road inventory without being published in the government gazette.   | That the necessary steps will be taken to gazette roads in the future.                         | Necessary steps should be taken to publish the roads owned by Sabha in the Gazette.                           |
|  | (b) Sections 47 and 52  | Necessary action had not been taken regarding 10 unauthorized constructions identified in the previous year and the year under review.  | Instructions were given to suspend unauthorized construction and to legalize the construction. | Legal action should be taken against unauthorized constructions.  |
| (iii)  | Sections 39.1 and 39.2 of the Local Government (Standard By-Laws) Act, published by Gazette Notification No. 520/7 dated 23rd August 1988 | In 2023, fees of Rs. 412,500 had not been collected for 23 Advertisement boards covering 2904.5 square feet.  | Reminder letters have been issued to the relevant institutions.                                | Arrears of revenue should be recovered.   |
| (iv)   | Stamp Duty (Special) Provisions Act, No. 12 of 2006, dated 05 <sup>th</sup> October 2006  | Stamp duty collected from the year 2018 to the year 2022, amounting to Rs. 355,310, had been retained in the deposit account without being remitted.  | Such actions will be done in the future.   | Stamp duty must be remitted to the Inland Revenue Department.   |
| <br>(b) <b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b> |   |   |  |   |
| (i)  | F.R. 104 (4)  | Although a tractor was involved in an accident during the year under review and was repaired at a cost of Rs. 97,925, an investigation was conducted in this regard, those responsible were not identified and necessary action was not taken | Action will be taken according to the investigation report.                                    | Relevant investigations should be conducted, the responsible parties identified and appropriate action taken. |

- (ii) F.R .571 (3) 43 lapsed deposits of Arrangements are Lapsed deposits Rs.1,233,700 relating to being made to should be settled. the period 2019-2023 settle the deposits. had not been settled.
- (c) **Circulars of the Commissioner of Local Government** No M/P.P.K. O/2016/03 dated 17th March 2016 the agreements regarding the rent of 09 stalls had not been amended according to the stalls rent assessment report obtained in the previous year. Action will be taken to enter into an agreement in the future. Stall rental agreements should be revised and rent collected based on the assessment reports.

## 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 in the reviewed year. amounted to Rs.11,274,503 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 6,776,653 in the preceding year.

### 2.2 Revenue Administration

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

According to the information presented by the Secretary of the Sabha relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below

2024							2023			
	Source of Revenue	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December-	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i)	Rates and Taxes	5,055,000	3,650,518	3,545,788	1,264,950	4,513,140	4,243,926	4,066,350	1,160,220	
(ii)	Rent	12,025,200	11,491,355	12,896,897	5,912,468	9,139,000	7,502,729	6,761,119	7,318,010	
(iii)	License Fees	1,300,000	1,845,049	1,845,049	-	1,261,000	1,719,098	1,719,098	-	
(iv)	Other revenue	16,757,800	15,961,711	10,359,052	26,612,786	15,268,400	9,900,646	12,379,294	21,010,127	
		35,138,000	32,948,633	28,646,786	33,790,204	30,181,540	23,366,399	24,925,861	29,488,357	

### 2.2.2 Performance in Revenue Collection

#### (a) Rates

##### Audit Observation

As at the end of the year under review, there was an assessment arrears balance of Rs.1,227,183, out of which Rs.525,305 from 58 units exceeding Rs.5,000 per unit had not been collected following the provisions of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987.

##### Comments of the Recommendation Sabha

The arrears of revenue will be recovered in the future.

Arrears of revenue should be recovered immediately

#### (b) Meat Stalls tender fees

##### Audit Observation

As at the end of the year under review, the arrears meat stall tender fees of Rs.4,968,373 had not been collected in accordance with Section 159 (1) of the Pradeshiya Sabha Act, No. 15 of 1987.

##### Comments of the Recommendation Sabha

The arrears of revenue will be recovered in the future.

Arrears of revenue should be recovered immediately.

#### (c) Court fines and Stamp duty

##### Audit Observation

The court fines and stamp duty due from the Chief Secretary of the Provincial Council and other authorities as on 31<sup>st</sup> December of the year under review were Rs.2,182,731 and Rs.23,097,500 respectively.

##### Comments of the Recommendation Sabha

The arrears of revenue will be recovered in the future.

Arrears of revenue should be recovered immediately.

### 3. Operational Review

#### 3.1 Fulfilment of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below

## Public Health

### Audit Observation

According to the water sample testing conducted in the year under review at 02 water projects belonging to the Sabha, although the quality of the drinking water distributed was at a low level, no steps had been taken to purify and distribute it.

### Comments of the Recommendation Sabha

Action will be taken in the future.

The public should be provided with clean drinking water.

## 3.2 Apparent Misappropriations

### Audit Observation

Although the engine number stated in the vehicle registration certificate of a double cab vehicle used by the Sabha is 4D56JM7440, upon physical inspection, it was observed that an irregularity had occurred as the engine number stated in the vehicle's engine was 4D56CA8896.

### Comments of the Recommendation Sabha

Inquiries have been made to the Ambagamuwa Pradeshiya Sabha and letters have been sent.

A formal investigation should be conducted in this regard and necessary action should be taken.

## 3.3 Assets Management

### Audit Observation

The ownership of 35 lands used by the Sabha had not been taken over to the Sabha

### Comments of the Recommendation Sabha

Taken over process is being carried on.

Ownership of assets should be taken over.

## 3.4 Human Resource Management

### Audit Observation

The performance of the Sabha and its ability to provide public services remained at poor level due to the existence of 65 vacancies in 17 posts including Sabha secretary, librarian, pre-school teacher, work/field inspector, electrician, pharmaceutical compounder, watchman, library assistant, water worker, development officer, technical officer, management assistant, revenue inspector, driver, office assistant, field work labourer, and health worker.

### Comments of the Recommendation Sabha

Vacancies have not been filled.

Vacancies should be filled and public services must be maintained efficiently.