

Ambalangoda Urban Council - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ambalangoda Urban Council including the financial statements for the year ended 31 December 2020 comprising the Statement of financial position as at 31 December 2020, Statement of Financial Operations, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, 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 181(1) of the Urban Council Ordinance (Chapter 255) and the provision of the 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 accompanying financial statements give a true and fair view of the financial position of the Ambalangoda Urban Council 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 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 General 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 Urban Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Urban Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

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 exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 its 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 Urban Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Urban Council has complied with applicable written law, or other general or special directions issued by the governing body of the Municipal Council
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Urban Council 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.

- (a) Financial Statements of the Urban Council as per the requirement mentioned in Section 6 (1) (d) (iii) of the National audit Act No. 19 of 2018 corresponded with the Financial Statements of the previous year.
- (b) In accordance with the requirement referred to in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, recommendations made by me during the previous year are included in the submitted financial statements.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Sabha	Recommendation
(i) The amount of Rs. 148,750 received for Entertainment Tax in January 2020 had been accounted for as mixed deposits and not as income for the year.	It had been transferred to the General Deposit Account.	Should be accounted correctly
(ii) Provisions had not been made for the audit fees for the year 2020.	The actions will be taken to correct in future.	Should be accounted correctly.
(iii) Salary and wages expenditure in February 2020 had been overstated by Rs.129,455.	The actions will be taken to correct in future.	Should be accounted correctly.

1.6.2 Non reconcile control account or report

Audit Observation	Comment of the Sabha	Recommendation
There was a difference sum of Rs. 470,516 in between the balance value of 03 accounting items in the financial statements and balance value in relevant utility registers and sub registers as at 31 December of the year under review.	Action will be taken to correct in future.	Action should be taken to identify and correct changes.

1.6.3 Lack of documentary evidence for Audit

Audit Observation	Comment of the Sabha	Recommendation
Information required for the audit had not been submitted in relation to 05 accounting items amounting to Rs.18,002,387.	Information will be corrected in the future.	Schedules and age analysis should be submitted for audit.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, revenue over recurrent expenditure of the Council for the year ended 31 December 2020 amounted to Rs.23,386,431 as compared with against the revenue over recurrent expenditure amounted to Rs.16,707,995 in the preceding year.

2.2 Revenue Administration

2.2.1 Performance of Revenue collection

Audit Observation	Comment of the Sabha	Recommendation
(a) Rates and tax		
Action had not been taken to recover the arrears of Rates and taxes amounting to Rs. 31,288,914 as at 31 December of the year under review.	Final notices had been issued in writing to the property owners and It will be working to implement the programs after the end of Covid 19.	Arrears of assessment tax should be recovered.
(b) Rates		
Action had not been taken to recover the Rate arrears of Rs. 3,848,034 as at the end of the year under review.	Actions will be taken to recover arrears of income	Actions should be taken to recover arrears of income

(c) Other income

Action had not been taken to recover the arrears of other income of Rs. 16,523,630 as at the end of the year under review.

(d) Court fine and stamp fees

Action had not been taken to recover Rs. 5,495,692 in Stamp fees as at 31 December of the year under review.

Actions will be taken to recover arrears of income

Actions should be taken to recover arrears of income

3. Operating inefficiencies

Audit Observation

The Urban Council spent Rs. 353,948 on the construction of a waste segregation centre and Rs. 429,350 for construction of a hut in the year 2017, however, the buildings remained idle due to non-Function of waste management activities.

Comment of the Sabha

The function had been suspended due to the Corona epidemic, and It will be deployed staff later.

Recommendation

Waste management activities should continue.