

Kuliyapitiya Urban Council - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Kuliyapitiya Urban Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial operations, statement of changes in net assets, cash flow statement for the year then ended and 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 Subsection 181 (1) of (Cap.255) of the Urban Council Act 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 financial statements give a true and fair view of the financial position of the Kuliyapitiya Urban Council as at 31 December 2020, and 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 (SLAS). 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 Urban Council's financial reporting process.

As per Sub-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 to be prepared of the Urban Council.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the 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 Council'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 of information to enable a continuous evaluation of the activities of the Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Institution;
- Whether the Council has performed according to its powers, functions and duties; and

- Whether the resources of the 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 and Regulatory Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- The financial statements presented by the Urban Council are 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 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

1.6.1 Non-reconciled Control Accounts or Reports

Audit Observation	Comment of the Sabha	Recommendation
Value of 3 items of accounts as per the financial statements was Rs.22,694,573 and that value as per the corresponding reports was Rs.24,183,083, thus observing a difference of Rs.1,488,510. Action had not been taken to rectify the differences of relevant balances.	It is informed that action will be taken to rectify those deficiencies.	Action should be taken to rectify the differences of relevant balances.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Council in excess of the recurrent expenditure amounted to Rs. 39,997,680 as at 31 December 2020 as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 44,989,005.

2.2 Revenue Administration

2.2.1 Performance in Collecting Revenue

Audit Observation	Comment of the Sabha	Recommendation
(a) The deficit of Rates as at 31 December of the year under review was Rs.21,845,537 and a sum of Rs.5,494,293 of the deficit had been recovered by 31 December 2021. No action had been taken in terms of Section 170(1) of the Urban Council Ordinance to recover the outstanding balances.	A sum of Rs.5,494,293 of the relevant deficit has been recovered by 31 December 2021.	Action should be taken to recover the outstanding balances in accordance with the provisions of the Act.
(b) It had not been possible to recover the tax of Rs.719,218 due from the lessee of the Sall No.02 of the Kuliypitiya Public Market from October 2019 even at the end of the year under review.	Legal action is being taken to recover the arrears.	Action should be taken to recover the outstanding balances.
(c) The stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2020 was Rs. 7,674,736 and no billing for court fines have been made since 2017.	The stamp duty amounting to Rs.7,674,736 due on 31.12.2020 is applicable for the period from February to December 2020. As relevant schedules have not been forwarded to the Provincial Revenue Department by the Office of the Registrar of Lands, the Council has not been able to obtain them. Court Fines - As the Kuliypitiya Court has not sent reports on the amount of court fines owed to the Urban Council after 2017, no billings have been made.	It should be ensured that there are no court fines due to the Urban Council after the year 2017 and action should be taken to recover the dues.

3. Operating Review

The following matters were observed with respect to the execution of duties charged with the Council through Section 04 of the Urban Councils 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 Solid Waste Management

Audit Observation	Comment of the Sabha	Recommendation
-----	-----	-----
<p>The Council had used 46 human resources for the solid waste management process during the year under review, and the amount of solid waste disposed during the year was 2491 tons. The total cost incurred for the above task was Rs.11,898,637 and the income earned from the sale of compost was Rs.18,74,000.</p>	<p>The total amount of garbage collected in the year 2020 was 2491 tons and an income of Rs. 1,874,000 has been earned by producing 187,400 kg of compost from degradable garbage.</p>	<p>Action should be taken to earn more revenue at a lower cost.</p>