

Vavuniya Urban Council Sabha - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Vavuniya Urban Council including the Financial statements for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2020, Income and Expenditure Account, 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 Subsection 181(1) of the Municipal Councils Ordinance (255 Authority) and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported 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 Vavuniya Urban Council as at 31 December 2021, and of its financial performance and its cash flows 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 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 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 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 it 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

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 (i) (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 defficiencies

Audit Observation	Comment of the Council	Recommendation
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Less than the amount in the fixed assets register valued at Rs.1,765,000 of the machinery as at 31 December 2021 was understated in the financial statements	The action will be taken to correct in the year 2022.	The value of the assets should be accurately stated in the financial statements.

1.6.2 Lack of documantory evidence for audit

Audit Observation	Comment of the Council	Recommendation
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The title deeds and papers for the 26.93 hectares of land mentioned in the financial statements were not submitted to the audit.	At present, further work is being done regarding the land that does not have ownership.	Information relating to land not disclosed in the financial statements should be submitted to the audit.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2021 amounted to Rs. 60,260,795 as compared with excess of revenue over recurrent expenditure amounted to Rs. 75,029,083 in the preceding year.

2.2 Performance of the Revenue collection

Audit Observation	Comment of the Council	Recommendation
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(a) The action had not been taken to collect the property tax rent of Rs. 991,211 between last 2 years to 17 year.	Rs.27,158 have been recovered from tax arrears so far. Action has been taken on the rest.	Arrears should be collected promptly.
(b) The Council had lost revenue of Rs.332,969 due to less than the approved fee being charged while approving the plans of 03 buildings and approving 04 buildings without charging any fee.	As per my order, approval was given for the buildings.	Building approval fees should be done as per existing laws and bye-laws.

3. Poerating Review

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 Council under Under Section 4 of the Municipal Ordinance are shown below.

Audit Observation	Comment of the Council	Recommmandation
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The illegal buildings constructed in the Vavuniya municipal area had not been inspected and submitted to the audit.	Illegal buildings in the domains are being inspected and reports are being issued.	Information about illegal construction should be reported to the audit.

3.1 Operating inefficiencies

Audit Observation -----	Comment of the Council -----	Recommendation -----
The actions were not taken to recover the outstanding balance of Rs.449,322 from 05 officers who were dismissed, retired and died for more than 02 years.	The dismissed officer has been informed through letters to settle the arrears of the distress loan. The details of the retired officer's arrears have been sent to the Pension Department and action has been taken.	Arrears should be collected promptly.