

## **Akkaraipattu Municipal Council - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Akkaraipattu Municipal Council including the financial statements for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021, 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 Section 219 of the Municipal Councils Ordinance (Chapter 252) and provisions 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 Balance sheet of the Akkaraipattu Municipal Council as at 31 December 2021, and of its Income and Expenditure Account and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

#### **1.2 Basis for Qualified Opinion**

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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 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**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities, 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 Municipal Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Municipal 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)**

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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 Municipal council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal 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 Municipal 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

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

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

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### Accounting Defficiencies

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Audit Observation	Comments of the Council	Recommendation
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(a) The value of computers with internet facilities worth Rs. 550,800 given as donations by the Local Government Department in the year under review, was not accounted for.	Steps will be taken to correct the accounting statements of the next financial year.	Financial statements should be prepared accurately.
(b) The cost of 04 renovation works of Rs.178,657 done on the basis of social responsibility in the past periods had been capitalized.		

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented excess of expenditure over recurrent revenue of the Council for the year ended 31 December 2021 amounted to Rs.322,737 as against the excess of revenue over recurrent expenditure amounted to Rs.13,768,252 in the preceding year.

## 2.2 Revenue Administration

### Performance in Revenue Collection

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
<b>(a) Rates and Taxes</b>		
The outstanding Rates and Taxes balance at the beginning of the year under review was Rs.41,091,714 and the collections during the year were Rs.4,383,757. A sum of Rs.36,707,957 of Rates and Taxes to be collected was from 01 to 10 years, but this was due to the inefficiency of the revenue collection officers.	Steps have been taken to recover the arrears and write them off from the books.	Revenue should be collected promptly.
<b>(b) Rent</b>		
<b>(i)</b> The Municipal Council had not taken steps to collect Rs.5,557,147 due from 242 tenants for rent of Akkareipattu Super Mall Shops, Commercial Premises Land and Bus stand Commercial Premises Shops Since 2012.	- Do -	- Do -
<b>(ii)</b> The amount receivable from leases on tender up to 31 December of the year under review was Rs.7,504,096. Out of which Rs. 4,840,027 is outstanding for a period of 01 to 10 years and the outstanding amount from 10 years ago was Rs.2,664,069.	- Do -	- Do -

## 3. Operational 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 Section 4 of the Municipal Councils Ordinance are shown below.

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
<b>(a)</b> Due to the non-rental of 45 shops on the first and second floors of the Akkareipattu commercial premises	No businessmen came forward to get these shops and the electricity board has	Steps should be taken to rent these shops through a new system.

building, the Municipal Council was losing income of Rs.6,780,000 annually. Also, Rs.154,800 has to be paid to the Electricity Board as a fixed electricity charge for the electricity connection for these shops, so this became an additional cost to the Municipal Council.

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| (b) | 23 lands and 18 vehicles owned and used by the council had not been assessed and accounted for and no action had been taken to assess them even at the end of the year under review. | The related work is currently being done. | Assessing and accounting should be expedited. |
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### 3.2 Human Resource Management

#### Audit Observation

The fingerprint machine which authenticates the attendance of the employees of the council was out of order since February 2020 but no steps have been taken to repair it. Also, contrary to the Public Administrative Circular No. 09/2009 dated 16 April 2009, the Municipal Council had paid a total of Rs.524,586 as holiday allowances to 03 officers and overtime allowances to 17 officers in the year under review.

#### Comments of the Council

Due to the Covid-19 pandemic, the fingerprint machine has been temporarily stopped and payments were made only after confirming the arrival as per the attendance register.

#### Recommendation

Arrangements should be made to pay holiday allowances and overtime allowances in accordance with the Public Administration Circular.