

Ampara Urban Council - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ampara Urban 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, Statement of changes in net assets, Cash Flow Statement for the year, 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 181 (1) of Urban Council Ordinance (Chapter 255) 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 paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ampara 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 Practices.

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 Practices, 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 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 Urban 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 and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- The financial statements of the Urban Council 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.
- The financial statements presented includes all recommendations made by me in the previous year except the audit matters described in paragraph 1.6.1 (c) and (d) of this report, as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) The amount of Rs.10,776,932 payables and receivables for 13 industries performed during the year under review had not been disclosed in the financial statements.	Information will be provided correctly for the next year.	Financial statements should be prepared accurately.
(b) Late charges on arrears of shop rentals amounting Rs.741,810 had not been accounted as at 31 December of the year under review.	Actions will be taken to keep account the relevant amount in the next year.	- Do -
(c) The amount of Rs.515,000 due from 04 advertisements related to last year had not been presented in the accounts.	Actions will be taken with this in the future.	- Do -
(d) The receivable amount of Rs.6,204,993 for office salaries and member allowances from the Provincial Council for the preceding year had not been accounted.	Actions will be taken to prepare salaries on the accrual basis in the future.	- Do -

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 2021 amounted to Rs.7,876,642 as compared with the excess of revenue over recurrent expenditure amounted to Rs.11,268,364 in the preceding year.

2.2 Revenue Administration

Revenue Collection Performance

Audit Observation	Comment of the Council	Recommendation
(a) Assessment and Taxes		
The council had not been taken actions to charge the arrears of assessment and taxes amounting to Rs.32,954,353 as at last day of the year under review.	Actions will be taken to recover the remaining arrears.	Arrears should be recovered promptly.
(b) Rental		
The council had been failed to charge Rs.6,538,293 from the shop rental due on 31 December 2021 from the 27 shop owners for a long period of 1 to 5 years.	Actions will be taken to recover the remaining arrears.	- Do -
(c) Court fines and Stamp Duty		
The council had not been taken actions to charge the court fine fees of Rs.226,167 and stamp duty of Rs.4,879,605 due on 31 December 2021 from the Chief Secretary of the Provincial Council and other officials.	Actions will be taken to recover the remaining arrears.	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 Urban Council Ordinance are shown below.

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
Rent receivables worth Rs.7,897,758 in the preceding year and the year under review had been written off from the financial statements without the approval of the Minister of Local Government.	Actions will be taken to collect or deduct the relevant money according to those decisions.	A formal approval should be obtained to write off the receivable balances.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comment of the Council	Recommendation
In the year under review, the 33 types of physical fitness equipment handed over to the Urban Council by the Ministry of Sports at a cost of Rs.1,288,516 had been remained idle due to lack of suitable places to install them.	It is currently located at Somaratne Stadium since the space was not adequate.	Equipment should be utilized effectively.

3.3 Assets Management

Audit Observation	Comment of the Council	Recommendation
08 rooms in the old building of the Urban Council's Rest House had not been repaired and rented out for over 10 years.	Works of repairing are difficult due to the current financial situation of the council.	Assets should be utilized effectively.