

Weligama Urban Council - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Weligama 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, Statement of Changing Equity, 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 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 financial position of the Weligama Urban Council as at 31 December 2020, 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 (i) 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 skepticism 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 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 Council	Recommendation
(a) It had been observed that there was a difference of Rs. 68,292 as at the end of the year under review due to the sum balances of the Fixed Asset accounts was Rs. 133,807,603 however the balance of the Capital contribution by income account was Rs. 133,875,895.	This change is due to a correction made in the previous year and will be corrected in the future.	Should be accounted correctly.
(b) A hand tractor recommended for auction in the year 2019 by a Board of Survey Report was not auctioned, however, its value was write-off from the financial statements.	The present situation will be investigated and necessary action will be taken in the future.	Should be accounted correctly.
(c) The general storage balance had been understated by Rs. 129,164 due The correct account balances of the General Stores Inventory had not been used to account as at the end of the year under review.	These stock balances will be calculated accurately in the future.	
(d) An amount to be paid to a contract society amounting to Rs. 1,443,363 had been debited to the General Store	It will be corrected in the future	

account and credited to the general supply credit account.

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| (e) | Purchases of stocks of Ayurveda medicines worth Rs. 910,245 during the year under review had not been recorded in the General Supply Credit Account. | Actions will be taken to correct by needed adjustment. |
| (f) | A motor grader valued at Rs. 14,000,000 which was not physically owned by the Council had been shown under the fixed assets. | Identify the current position of this fixed asset and Action will be taken to correct the cost and rectify. |

1.6.2 Non reconciled control account or records

Audit Observation

Comment of the Council

Recommendation

There was a difference sum of Rs. 29,812,943 in between a balance of Rs. 228,640,947 in the value of 07 accounting items in the financial statements and value of Rs. 198,828,004 in relevant utility registers/sub registers

Actions will be taken to correct in future.

The differences in the relevant balances should be reconciled and action should be taken to correct the accounts.

1.6.3 Lack of Documentary Evidence for Audit

Audit Observation

Comment of the Council

Recommendation

Due to non-submission of required information, 08 accounting items amounting to Rs. 136,025,942 could not be examined satisfactorily during the audit.

The sufficient evidence could not be found for the account balances.

Should be hold written evidence that can confirm the balances shown in the accounts.

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. 25,284,612 as compared with against the revenue over recurrent expenditure amounted to Rs. 34,205,597 in the preceding year.

2.2 Performance of the revenue collection

Audit Observation	Comment of the Council	Recommendation
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(a) There was an arrears assessment balance of Rs.7,655,788 as at the end of the year under review.	Due to the relax policy had been followed regarding assessments and fines on the prevailing Corona epidemic situation, the revenue was reduced and action will be taken to recover the arrears.	Arrears of income should be collected.
(b) Actions had not been taken to collected the shop rent of Rs. 17,264,940 as at the end of the year under review	The urban population was in financial problems due to the prevailing corona epidemic and that a relaxed policy was adopted with regard to rent.	Arrears of income should be collected.

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 Operational inefficiencies

Audit Observation	Comment of the Council	Recommendation
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A fee of Rs. 100,800 had not been charged for 29 Advertising Board in the territory area without the approval of the Council.	Actions will be taken to charge	Actions should be taken in accordance with the Gazette notification.