

## **Akkaraipaththu Municipal Council - 2020**

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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 Akkaraipaththu Municipal Council including the financial statements for the year ended 31 December comprising the balance sheet as at 31 December 2020, Income and Expenditure Account 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 Municipal Council Ordinance (Cap.252) and provision 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 Akkaraipaththu Municipal Council as at 31 December 2020, and of its financial performance for the year then ended in accordance with Generally accepted Accounting Principles.

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

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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**

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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 Municipal Council's financial reporting process.

As per Sub-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 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 Urban 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 and Regulatory Requirements**

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

- The financial statements of the Municipal Council presented is consistent with the preceding year as per the requirement of section 06 (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 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**

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### **1.6.1 Accounting Deficiencies**

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	<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
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(i)	The amount of Rs.1,385,833 had been spent for the 6 works of social based projects during the last period had not been capitalized.	Action will be taken to make corrections in next year.	Financial statements should be prepared accurately.
(ii)	The value of 18 medicines of Ayurveda Hospital as on 31 December of the year under review had not shown in the financial statements.	Action will be taken to make corrections in next year.	Financial statements should be prepared accurately.

## **2. Financial Review**

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### **2.1 Financial Result**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2020 amounted to Rs. 13,768,252 as compared with the excess of revenue over expenditure amounted to Rs.16,429,240 in the preceding year.

## 2.2 Revenue Administration

### 2.2.1 Revenue Collection Performance

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
<b>Rates and Taxes</b> The amount totaled to Rs.47,471,096 receivable from 12,873 houses in the Sabha area as rates and tax at the end of the year under review and out of it an amount of Rs.44,912,164 had not been recovered.	Action will be taken to recover the arrears.	The revenue should be recovered promptly
<b>Rent</b> The arrears rent amount of Rs.7,699,381 of public market shops as at 31 December of the year under review had not been recovered by the Sabha.	Action will be taken to recover the arrears.	Action should be taken to recover the revenue promptly.

## 3. Operational Review

### 3.1 Performance

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 Council Ordinance are shown below.

### 3.2 Delays in Projects Activities and Capital Work

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
Although Rs.1,000,000 provision had been made during the year under review by the Sabha to provide the toilet facilities to 12 beneficiaries who have not basic health facilities, the constructions of 10 beneficiaries had been abandoned.	Two toilets were constructed by the project and the rest were abandoned as there was no money to complete them.	Action should be taken to complete the project on time.