

Ampara Urban Council – 2020

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 comprising the balance sheet as at 31 December 2020, Income and Expenditure Account, 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)Cap.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 2020, 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 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

1.6.1 Accounting Policies

Audit Observation	Comment of the Council	Recommendation
The accounting policies adopted by the urban council in preparing the financial statements had not been disclosed in the financial statements.	Action will be taken to rectify from next year.	Accounting policies should be disclosed.

1.6.2 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
(a) The payable amount of Rs.118,801 for the year under review had not been accounted.	An entry in the creditor's register has been forgotten by omission.	Financial statements should be prepared accurately.
(b) The receivable amount of Rs.6,204,993 for office salaries and member allowances from the Provincial Council for the year under review had not been accounted.	Accounting. has been missed.	Financial statements should be prepared accurately.
(c) The shop rent receivable amount of Rs. 6,955,377 had been written off from the	These shops were not available for rent as per the assessment. After that, these shops have	According to the Act, the approval of the Minister of Local

financial statements without the approval of the Minister of Local Government.	been re-assessed and the prices have been reduced and these details have been informed to the local government commissioner and plans have been made for further action.	Government should be obtained to write off the arrears of revenue.
(d) The amount of Rs.515,000 for advertisements received from 04 institutions for the year under review had not been accounted.	Accounting of advertisement has been missed.	Financial statements should be prepared accurately.
(e) Late charges of 10 per cent on the rent of the shops amounting to Rs.288,396 had not been accounted as at 31 December of the year under review.	Accounting of late charges of shop rent has been missed.	Financial statements should be prepared accurately.
(f) The payable amount of Rs.1,742,214 to the Department of Inland Revenue for the period from 2012 to 2019 which were deposited in the Ampara People's Bank had not been stated in the financial statements.	Action will be taken to pay this amount to the Department of Inland Revenue.	Financial statements should be prepared accurately.
(g) The amount of Rs.381,011 for 23 items which were removed from the Board of survey in the year 2019 had not been removed from the accounts.	Action will be taken to rectify in future.	Financial statements should be prepared accurately.

1.6.3 Unreconciled control accounts or records

Audit Observation	Comment of the Council	Recommendation
A difference of Rs.902,283 had been observed in comparing the value of 03 accounting subjects in the financial statements with the corresponding reports.	Actions will be taken to rectify in the future.	Documents should be properly updated.

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 2020 amounted to Rs. 11,268,364 as compared with the excess of revenue over expenditure amounted to Rs.12,360,541 in the preceding year.

2.2 Revenue Administration

2.2.1 Revenue Collection Performance

Audit Observation	Comment of the Council	Recommendation
(a) The receivable amount of Rs.29,197,637 for the assessment tax for the period from 01 to 07 had not been charged as at 31 December of the year under review.	Action will be taken to charge in the future.	Arrears of assessment tax should be charged.
(b) The receivable amount of Rs.6,393,580 for the shops rent had not been charged as at 31 December of the year under review.	Action will be taken to charge in the future.	Arrears of shops rent should be charged.
(c) Court fines that should have been received from the Chief Secretary of the Provincial Council and other officials amounted to Rs.388,501 and stamp duty of Rs.1,611,006 had not been charged as at 31 December 2020.	Action will be taken to charge in the future.	Arrears of revenue should be charged.

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
----- After year 2009, the rent of 80 shop rooms in Ampara city had not been assessed and revised. And the shop rent was in the range of Rs.1,625 to Rs.5,050 which was very low according to market rent.	----- The shops rent out on private ownership are built and finished at a high standard and it is not practical to compare with the existing 77 shops that need to be renovated by the urban council. The relevant assessment has also been obtained.	----- Shops should be repaired, reassessed and rent out.