

Minuwandoga Urban Council - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Minuwandoga Urban Council including the financial statements for the year ended 31 December 2022 comprising the Statement of assets and liabilities as at 31 December 2022, Comprehensive Income Statement, Statement of changes in net assets/ 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 Councils Ordinance (Chapter 255) 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 financial statements give a true and fair view of the financial position of the Minuwandoga Urban Council as at 31 December 2022, and of its financial performance 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

I expressed qualified opinion regarding financial statements 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 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 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 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 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 Requirements

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

- (a) 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.

- (b) The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.6.1 described in paragraph 1.6 of this report 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

1.6.1 Accounting Policies

Audit Observation	Comments of the Council	Recommendation
Although computer software is stated by identifying as assets in the financial statements under Accounting Policy No. 3.2, the value of two computer software used in the revenue department and the library was not calculated and accounted for.	That these values will be included in the final account of the year ended 31.12.2023.	Accounting should be done correctly.

1.6.2 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
There was a difference of 2,918,861 between the total of 06 accounting heads according to the financial statements as at 31 December of the year under review and the total of the balances according to the relevant registers.	That the account for the year ending on 31.12.2023 be corrected and submitted.	The reasons for the change should be found and corrected.

1.6.3 Documentary Evidences not made available for Audit

Subject	Amount	Unsubscribed Audit evidences	Comments of the Council	Recommendation
	Rs.			
Arrears in market rent	314,925	Schedule	That the account for the year ending on 31.12.2023 be corrected and submitted.	Arrangements should be made to present the schedule correctly.

1.7 Non- Compliances

Non -compliance with Tax Regulations

Audit Observation	Comments of the Council	Recommendation
The stamp duty of Rs.58,160 payable as at 31 December of the year under review was not paid to the Inland Revenue Department as at the date on 03 April 2023.	That the balance of stamp duty will be remitted.	The stamp duty payable is to be paid to the Inland Revenue Department.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the council for the year ended 31 December 2022 amounted to Rs.26,655,396 as compared with the excess of revenue over expenditure amounted to Rs. 22,083,743 in the preceding year.

2.2 Financial Control

Audit Observation	Comments of the Council	Recommendation
Rs.72,885,587 was retained in the current account without investing as at 31 December of the year under review.	Estimates have been prepared and approved for the installation of automatic doors in the new public mall near the bus station, and the money has been withheld in the current account as it requires immediate payment.	Excess money should be invested without keeping it in the current account.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information presented by the Secretary, information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below

Revenue Source of	2022				2021			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at December 31	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
	000'	000'	000'	000'	000'	000'	000'	000'
(i) Rates and Taxes	20,515	20,474	14,319	14,577	20,250	21,433	14,193	15,673
(ii) Rent	40,675	29,640	27,326	2,370	14,497	16,340	14,984	1,189
(iii) License Fees	846	723	686	37	400	298	243	55
(iv) Other revenue	24,925	31,957	31,957	-	47,090	33,693	33,693	-
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	86,961	82,794	74,288	16,984	82,237	71,764	63,113	16,917
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2.3.2 Performance in Revenue Collection

Observations related to performance in Revenue Collection of the Council are given below.

Audit Observation	Comments of the Council	Recommendation
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Rates and Taxes

The rates and taxes billed income for the year under review had decreased by	That a plan for collection of arrears of revenue by division	Arrangements should be made to
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Rs.950,000 compared to the previous year. wise has been prepared and the collection of revenue is in progress. collect the arrears.

Rent

As per the arrears recovery schedule, the arrears were Rs.1,571,919 as at 31 December 2022. That 65 percent of the arrears of trading points has been charged by 30.04.2023. Arrangements should be made to collect the arrears.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
Action had not been taken to recover the advance amount of Rs.1,004,400 paid to a private company in the year 2021 by the audit date of 31 March 2023.	That the advance money given for furnishing and installing the elevator is recorded as advance until deducted in making the final payments.	Arrangements should be made to settle the advance amount paid in July 2021.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
Japalawatta Sports Ground with an area of 08 acres which had been developed and maintained as a public stadium by the Municipal Council since 1979, had been handed over the clear right of way for development to the Minuwangoda President college by Land and Land Reforms Commission despite the council's protest until the government acquires it in accordance with the provisions of the Land Acquisition Act.	That the right of the playground will be given to the Minuwangoda Municipal Council by the Honorable W.P. Governor has verbally declared.	Efforts should be made to obtain legal ownership of the land.

3.3 Procurement Management

Audit Observation	Comments of the Council	Recommendation
Comparison reports were not prepared to compare the specifications prepared by the municipality and the specifications sent by the institutions according to No. 7.9.10 and 7.11.1 of the Government Procurement	That the query is accepted.	Government Procurement Guidelines 2006 should be followed.

Guidelines Code regarding the purchase of equipment for Rs. 5,860,938 for the new library building.

4. Accountability and Good Governance

4.1 Environmental Observations

Audit Observation	Comments of the Council	Recommendation
2 burners in the crematorium have been deactivated since 11 May 2021 and cremation has been carried out without repair for more than a year, so environmental pollution could not be prevented due to the release of toxic fumes into the environment without re-combustion.	These repairs have been delayed. Even though, the urban council had to cremate the corona corpses in the area.	Necessary measures should be taken to prevent environmental pollution.