

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Akkaraipattu Municipal Council including the financial statements for the year ended 31 December 2022 comprising the Balance Sheet as at 31 December 2022, Income and Expenditure Account, 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 Section 219 of the Municipal Councils Ordinance (Chapter 252) and 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 Akkaraipattu Municipal Council as at 31 December 2022, 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

I expressed qualified opinion 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 Practicals, 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 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

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 Municipal 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 Requirements

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

- The financial statements of the Municipal 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 the recommendations made by me in the previous year 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 Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Salaries and Allowances for the month of December of the year under review amounting to Rs.6,938,129 were not shown in the financial statements as receivables.	That the arrangements have been made for inclusion in the arrears statement in the financial statements of the current year.	Financial statements should be prepared accurately.
(b) Rates and Taxes discount of Rs.100,203 given by the Municipal Council during the year under review were not disclosed in the financial statements.	-Do-	-Do-
(c) The sum of Rs.695,084 of 09 revenue units received as donations from the Local Government Department in the year under review had not been shown in the financial statements.	Action will be taken to show in the assets register.	-Do-
(d) The value of the stock of electrical equipment and stationery amounting to Rs. 204,565 as on the last day of the year under review had not been accounted for.	Action will be taken to add to the stores accounts of the next year financial statements.	-Do-

1.6.2 Unreconciled Accounts or Records

Audit Observation

According to the financial statements of the Municipal Council, a difference of Rs.1,262,967 was observed between the balance payable to the Local Loan Development Fund as at the end of the year under review and the previous balance shown in the head office books of the Local Loan Development Fund.

Comments of the Council Recommendation

Action will be taken to reconcile with the books. Financial statements should be prepared accurately.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of income over recurrent expenditure of the Council for the year ended 31 December 2022 amounted to Rs.22,325,733 as compared with the excess of income over recurrent expenditure amounted to Rs.322,737 in the preceding year

2.2 Revenue Administration

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

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.

Source of Revenue	2022				2021			
	Estimated Revenue	Revenue Billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
i. Rates and Taxes	16,953,530	60,981,177	8,358,686	52,622,490	11,525,000	14,253,530	8,617,597	46,727,647
ii. Rent	23,470,609	35,876,692	12,578,997	23,297,695	26,511,300	20,884,757	21,696,601	22,628,680
iii. Income License	5,200,000	3,475,500	3,475,500	-	5,725,000	2,962,800	2,962,800	-
iv. Fees	41,850,000	82,203,621	82,203,621	-	26,875,000	10,449,214	17,402,474	4,157,535
Other revenue	87,474,139	182,536,990	106,616,804	75,920,185	70,636,300	48,550,301	50,679,472	73,513,862
Total	173,897,678	355,073,380	200,533,608	151,640,370	135,291,600	96,099,602	79,662,274	147,438,024

2.2.2 Performance in Revenue Collection

The observations regarding the performance in revenue collection of the council are as follows.

Audit Observation	Comments of the Council	Recommendation
(a) Rates and Taxes		
The outstanding Rates and Taxes balance at the beginning of the year amounted to Rs.46,727,647 and recovered amount during the year was Rs. 5,912,440 and therefore the balance to be charged in relation to the period from 01 to 07 was Rs. 40,815,207.	Collection officers will be appointed in the future and arrangements will be made to collect the arrears of Rates and Taxes.	Steps should be taken to collect the dues promptly.
(b) Rent		
(i) A sum of Rs.12,598,164 due from 22 lessees had not been recovered by the Municipal Council from 2012 to the year under review, regarding rental of commercial premises shops, commercial premises land in Akkareipattu Super Market Complex, bus stand commercial premises shops, fish market, bus stand toilet rent, bus stand rent and private parking charges etc.	That the steps have been taken to recover the arrears and write them off from the books.	-Do-
(ii) The rent receivable as on 31 December of the year under review for the period 1992 to 2021 was Rs.8,552,868.	-Do-	-Do-
(c) Stamp Duty		
(i) The stamp duty receivable from the Chief Secretary of the Provincial Council and other authorities in relation to the period from 2017 to 2020 was Rs.782,450.	Action will be taken to recover.	Receivable income should be recovered promptly.
(ii) The stamp duty of Rs.1,066,997 collected from 22 landowners by the Eastern Provincial Inland Revenue Department through mobile services in the period from 2018 to 30 August 2022, had not been collected from the Chief Secretary of the Provincial Council and other authorities.	-Do-	-Do-

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) The advertizing electronic television received by the Mahanagara Sabha in the year 2017 under the regional development grant program was disabled in the year 2019.	That the repairs will be made in the current year.	Action should be taken to repair the advertizing Electronic TV.
(b) A sum of Rs.1,463,000 had been received from the beneficiaries as deposits till the year under review for the restoration of concrete, tar and gravel roads cut by 184 beneficiaries in the Municipal Council area to obtain drinking water from the National Water Supply and Drainage Board, these roads have not been repaired by the beneficiaries and the council has not taken steps to return the deposits to the respective beneficiaries or to use the deposits to repair these roads as on the audit date. Therefore, it was observed that the roads were potholed and may be further damaged in the future and need to be completely renovated.	Not answered.	Action should be taken to restore the roads cut for water connection.
(c) The values of 13 items donated to the council by the Local Government Department in 2021 and 2022 were not calculated and shown in the financial statements.	Action will be taken to obtain the purchase cost of goods and added to the financial statements.	Financial statements should be prepared accurately.

3.2 Assets Management

Audit Observation	Comments of the Council	Recommendation
(a) Twenty eight lands, buildings and 18 vehicles owned and used by the Municipal Council had not been assessed and accounted for.	That action will be taken to assess the value of land, buildings and vehicles.	Action should be taken to assess the value of land, buildings and vehicles
(b) Twelve vehicles owned by the council had not been repaired and re-used or properly disposed of.	That the steps have been taken to repair the vehicles.	Appropriate measures should be taken to repair and reuse vehicles or sell them at auction.

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| (c) | The ownership of 09 vehicles used by the Municipal Council was not transferred in the name of the Municipal Council. | That the transfer of ownership is underway. | Arrangements should be made to transfer the ownership of the vehicles in the name of the Municipal Council. |
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3.3 Procurement Management

Audit Observation

Provisions of Rs.95 million for supplies, services and repairs for recurrent expenditure and Rs.11.3 million for capital expenditure was estimated for the year 2022, but the council had not prepared a procurement plan.

Comments of the Council

That the current year requirement lists had been prepared and complete procurement plan also been prepared.

Recommendation

Steps should be taken to prepare the procurement plan.

3.4 Defects in Contract Administration

Audit Observation

- (a) Three umbrellas were purchased and installed at a cost of Rs.2,910,000 for public entertainment in the water park, but seats were not arranged in such a way that the public could rest under the umbrella. Also, since the walkway of the water park is located in the middle of the pond, the council did not make the necessary arrangements to ensure the safety of its users.

Comments of the Council

Action is being taking to built in the near future.

Recommendation

Necessary arrangements should be made to ensure the convenience and safety of the users.

- (b) An electronic library was established at Akkaraipattu Public Library under the Regional Development Grant Program at a cost of Rs.2,848,078. Due to the lack of electronic equipment facilities such as KOHA software, server, barcode reader and barcode printer required to operate this electronic library, it was not able to operate this electronic library.

Due to the current financial crisis, there was a delay in these operations.

Financial provision should be made in full to achieve the desired goals.

3.5 Human Resource Management

Audit Observation

The Municipal Council had not taken steps to collect the outstanding loan balance of Rs.193,799 since 2007 due from 07 officials who died after serving in the Municipal Council.

Comments of the Council

That the steps have been taken to recover and write off outstanding loans.

Recommendation

Steps should be taken to collect the outstanding loan balances from the concerned persons or guarantors.

4. Accountability and Good Governance

4.1 Solid waste Management

Audit Observation

The solid waste collected daily by the council is given to the solid waste collection center belonging to the Addalachchenei Pradeshiya Sabha. It had to paid a sum of Rs.200 for one ton of biodegradable waste and Rs.300 for one ton of non-biodegradable waste and excess amount of Rs.100 for one ton of unseparated waste. Due to this, an additional amount of Rs.476,202 had been paid for 1,587 tonnes which were given without allocation in the year under review.

Comments of the Council

Due to the fuel crisis in the country, it was not possible to carry out the separate process formally.

Recommendation

Steps should be taken to separate and collect solid waste.