

Batticaloa Municipal Council

Batticaloa District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 27 March 2014 and the financial statements for the preceding year had been presented on 10 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 04 December 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Batticaloa Municipal Council as at 31 December 2013 and the financial result of its operations for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Compliance with Sri Lanka Public Sector Accounting Standards

The financial statements had not been prepared in accordance with the Public Sector Accounting Standards, as stipulated in the Circular No. PL/05/PA/SFPSAS dated 27 January 2014 issued by the Secretary to the Ministry of Local Government and Provincial Councils.

1.3.2. Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) The Water Bowser valued at Rs.6,860,650 misplaced in the year 1990 had continued be shown as an asset in accounting statements, without taking necessary action to write-off from the books.
- (b) The value of 29,000 books in the library owned by the Municipal Council, as at 31 December 2013, had not been computed and brought to account.

- (c) The value of exercising equipment received as a donation from a non-government organization in the year 2004, had not been computed and brought to account.
- (d) Provisions had not been made in the accounts for the audit fees of Rs.150,000 payable in respect of the year under review.

1.3.3. Accounts Payable and Receivable

The following observations are made.

- (a) A sum of Rs.558,185 payable for the suppliers had been deposited in the deposits account since the year 2009, without taking action to make the payment.
- (b) The loan balance amounting to Rs.775,658, had been receivable from 30 employees who had retired and transferred, and this had continued to be shown in the financial statements, without taking action to recover this from the retirement gratuity or from the sureties.

1.3.4. Lack of Evidence for Audit

The evidence indicated against the following subjects in the financial statements, had not been submitted to the audit.

Subject	Value – Rs.	Evidence not submitted
Lands and Buildings	111,766,669	Title Deeds
Plant and Machinery	16,642,382	Registers of Fixed Assets, Detailed Schedules of Assets, and Reports of Survey Boards
Motor Vehicles	85,734,437	
Furniture	9,389,850	
General Stores Items	46,169,231	

2. Financial Review

2.1. Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2013 amounted to Rs.20,723,801, as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,236,621 in the preceding year. Therefore financial result of the year under review had shown an improvement of Rs.14,487,180 in comparison to the preceding year.

2.2. Revenue Management

2.2.1. Performance on Revenue Collection

Significant variances were observed between the Estimated Revenue and the Actual Revenue, submitted by the Council for the year under review.

Source of Revenue -----	Estimated Revenue ----- Rs.	Actual ----- Rs.	Variance ----- Rs.
(i.) Rates	29,543,207	4,103,442	25,439,765
(ii.) Lease Rent	3,318,452	3,652,764	(334,312)
(iii.) Other Taxes	10,765,393	15,576,474	(4,811,081)

2.2.2. Rates and Taxes

The rates and taxes in arrears receivable from the year 1990 till the end of the year under review amounted to Rs.13,517,544.

2.2.3. Taxes

The taxes in arrears receivable from the year 1990 till the end of the year under review amounted to Rs.2,296,174.

2.2.4. Other Revenue

The entertainment taxes, lease rent, hoarding charges in the arrears receivable in the year under review amounted to Rs.9,073,640.

3. Operating Review

3.1. Management Inefficiencies

The following observations are made.

- (a) The Council had not taken necessary action to pay the monthly contributions for the pension scheme since the year 1995. Therefore the contributions payable as at the end of the year under review amounted to Rs.26,943,315.
- (b) Though the milo-meters in 09 vehicles had been nonoperational for a period of over 5 years, necessary action had not been taken to repair them.

3.2. Idle Assets

02 Lorries, 05 tractors and 03 bowsers owned by the Council, had been idling over a period of five years, as action had not been taken to repair them.

3.3. Solid Waste Management

The Solid Waste Disposing Centre in Thirupperunthurai had been constructed at a cost of Rs.10 million in the year 2009 under NECTUP project, and this project had been completely abandoned later, as it had not been possible to systematically separate the waste into different grades and manage the project. Due to the abandonment of this project, the general public in this area had to face many difficulties.

4. Accountability and Good Governance**4.1. Budgetary Control**

The variances in the range of 10% to 60% were observed between the estimated expenditure and the actual expenditure. Therefore it was observed that the budget had not been made use of as an effective tool of management control.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- a) Revenue Collection
- b) Budgetary Control
- c) Maintenance of Fixed Assets