

**Eravur Urban Council**

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**Batticaloa District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2015 had been presented to audit on 18 April 2016 and the report of the Auditor General had been furnished to the Secretary of the Council on 29 September 2016.

**1.2 Qualified Opinion**

Except for the effects of the matters described in Paragraph 1.3 of this report, I am of opinion that the financial statements give a true and fair view of the financial position of the Eravur Urban Council as at 31 December 2015 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Provision had not been made in the accounts for the audit fee amounting to Rs. 86,650 payable for the year under review.

**1.3.2 Lack of Documentary Evidence**

Evidence indicated against the following each item of accounts had not been furnished to audit.

Item	Value	Lack of Evidence
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	Rs.	
Lands and Buildings	85,739,626	} Register of Fixed Assets
Plant and Machineries	4,107,929	
Motor vehicles	2,492,615	
Furniture and Fittings	3,289,978	

**1.3.3 Non -compliance with Laws, Rules and Regulations**

The under mentioned instances of non-compliance with laws, rules and regulations were observed in audit.

**Reference to Laws, Rules,  
Regulations etc;**

**Non-compliance**

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| <p>(a) Section 177(2) of the Urban Councils Ordinance Chapter 255</p> <p>(b) Public Finance Circular No. PF/437 dated 18 September 2009</p> <p>(c) Treasury Circular No. IAI/2002/02 dated 28 November 2002</p> | <p>Action had not been taken until 31 December 2015 to publish the summary of the financial statements of the Council for the year 2014.</p> <p>Although the insurance for vehicles should be obtained from National Insurance Trust Fund or SriLanka Insurance Corporation, contrary to this the insurance for 3 vehicles had been obtained from private insurance institutions paying Rs. 169,410.</p> <p>A separate register had not been maintained to record computers, computer accessories and computer software.</p> |
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**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of recurrent expenditure over revenue for the year ended 31 December 2015 had amounted to Rs.258,607. Compared to this, the excess of recurrent expenditure over revenue for the previous year amounted to Rs. 402,649 thus indicating an improvement of Rs. 144,042 in the financial results.

**2.2 Revenue Management**

**2.2.1 Revenue Collection Performance**

According to the information furnished by the Council the estimated revenue and the actual revenue had been shown below.

Revenue Item	Estimated for the year 2015	Recovered for the year 2015	Cumulative Arrears as at 31 December 2015
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	Rs.	Rs.	Rs.
Rates	2,250,000	2,070,430	9,729,786
Meat Stall lease	1,250,807	1,367,037	1,953,970
Meat Stall rental	400,000	593,700	3,588,115
Entertainment Tax	125,000	166,270	949,490

### **2.2.2 Rates and Taxes**

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Rates aggregating Rs. 9,729,786 in terms of Section 160 of the Urban Councils Ordinance (Chapter 255) for the lands, houses and buildings constructed within the area of authority of the Council had not been recovered from the year 2010 up to the end of the year 2015.

### **2.2.3 Cinema Theatre Tax**

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Action had not been taken by the Council to recover the Entertainment Tax amounting to Rs. 178,299 to be recovered from a cinema theatre for the years 2013 and 2014.

## **3. Performance Review**

### **3.1 Management Inefficiency**

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The following observations were made.

- (a) Although Tipper, Short Wheel Base Crew Cab, Becko Loader etc. were received as donation from the Ministry of Public Administration, Provincial Councils, Local Government and Good Governance during the year 2015, action had not been taken to transfer the ownership of them to the Council.
- (b) A four wheel tractor and a two wheel tractor belonging to the Council had remained under repair for more than five years. Action had not been taken to repair and use them or disposed of by auction.
- (c) Action had not been taken for over 14 years to settle the advances amounting to Rs. 341,287 granted in 76 instances to the employees of the Urban Council for various purposes.

## **4. Accountability and Good Governance**

### **4.1 Budgetary Control**

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As variations ranging from 51% to 238% between the budgeted and actual expenditure existed, it was observed that the budget had not been utilized as an efficient tool for management control.

## **5. Systems and Controls**

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Special attention is required in respect of the following items of systems and controls.

- (a) Accounting
- (b) Control on Fixed Assets
- (c) Revenue Management
- (d) Budgetary Control