

Batticaloa Municipal Council

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2015 had been presented to audit on 29 March 2016 and the Report of the Auditor General had been furnished to the Secretary of the Council on 01 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 Batticaloa Municipal 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

The following accounting deficiencies were observed.

- (a) The value of a water bowser amounting to Rs. 6,860,650 which had been lost during the year 2003 had been continued to be shown in the financial statements without action being taken to write off from the books.
- (b) The value of 2 computers and accessories received as donation from Asia Foundation during the year 2014 had not been ascertained and brought to accounts.
- (c) Pension contributions of the employees of the Local Government Service amounting to Rs. 28,354,199 payable to the Department of Pensions as at 31 December 2015 had not been shown in the financial statements.
- (d) The electric saw purchased during the year under review at a cost of Rs. 80,500 had been returned to the supplier and recover money. However, the money received for that had been credited to the revenue account instead of crediting to the relevant assets account.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2015 amounted to Rs.110,729,563, as compared with, the excess of revenue over recurrent expenditure for the previous year amounting to Rs. 29,634,718 thus, indicating an improvement of Rs. 81,094,845 in the financial results.

2.2 Revenue Management

2.2.1 Estimated Revenue, Actual Revenue and the Revenue in Arrears

According to the information furnished by the Municipal Council, the details regarding the estimated revenue, actual revenue and the revenue in arrears are given below:

Revenue Item	Estimated Revenue	Actual revenue	Cumulative arrears as at 31 December 2015
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	Rs.	Rs.	Rs.
Rates	20,476,155	18,147,819	21,837,718
Advertisement charges	4,604,415	3,695,170	2,280,632
Trade Licenses	8,910,877	9,377,067	2,893,052
Slaughter House charges	34,939	40,987	17,174
Lease	8,212,817	4,593,802	10,395,219
Entertainment Tax	1,169,266	1,021,269	945,44 0
Quarters Rental	-	125,759	326,350
Outside stall Rental	2,229,400	2,301,452	1,015,974
Market stall Rental	3,231,550	3,011,985	971,795
Rest House Rental	468,000	682,500	815,823

2.2.2 Rates

Action had not been taken to recover the arrears of rates amounting to Rs. 21,837,718 as at the end of the year under review.

2.2.3 Recovery of Rent

A sum of Rs. 406,322 receivable from the Sri Lanka Army in respect of rent for the Rest House of the Council from the year 1983 to year 2015, a sum of Rs. 156,000 receivable from the Urban Development Authority, from September to December 2013 and a sum of Rs. 326,350 receivable from the Sri Lanka Army till 2012 in respect of rent for the Official Residence given to the Army had not been recovered up to the year under review.

2.2.4 Lease Income

The trade stalls belonging to the Council had been given on lease without obtaining surety of property or Bank guarantee in terms of lease agreement and as such the arrears of lease amounting to Rs.6,492,873 recoverable from 61 person for the period from 1990 to 2013 had remained arrears.

2.2.5 Issue of conformity certificate for Telecommunication Towers

Although 07 telecommunication towers had been erected within the Municipal area without obtaining certificate of conformity in terms of institution of the Gazette Extra Ordinary No. 1597/8 dated 17 April 2009, action had not been taken by the Council in this regard.

3. Performance Review

3.1 Management Inefficiency

The following observations were made.

- (a) A Medical Waste Incinerator purchased on 31 December 2014 at a cost of Rs. 2,624,800 from the funds provided by the Second Health Sector Development (2nd HSDP) Project in order to burn the medical wastes of the private hospitals had remained idle up to 18 April 2016 due to non-selection of suitable place..
- (b) Action had not been taken to recover the outstanding loan balance amounting to Rs. 548,503 recoverable from 13 employees who went on retirement after 2012 from their retirement gratuities or their sureties.
- (c) Loan balances amounting to Rs. 550,998 receivable from 09 employees who had vacated their posts from the year 2011 had not been recovered either from them or from their sureties.

3.2 Transactions of Contentious Nature

The following observations were made.

- (a) Five lands belonging to the Council in extent of 84 perches approximately to the value of Rs. 15 million had been given on lease by the Mayor of the Council during the years 2011 and 2012 without following the procurement procedure and not obtaining the valuation report from the Department of valuation.
- (b) Certain portion of the land should be handed over to the Municipal Council for public usage, when a private land within the Municipal limit is subdivided and sold. Accordingly, five valuable lands in extent of 97 perches approximately handed over to the Municipal Council had been transferred by an Ex- Commissioner during the years 2003-2006 on his name and his wife. Although this matter had been pointed out in my report for the previous year, action had not been taken in this regard.

3.3 Contract Management

Green Belt Project

Six hundred trees and 2,400 plants had been planted at Thiruchentur Beach, Kallady within the Municipal area from the year 2013 upto the year 2014 and handed over to the Municipal Council, incurring expenditure amounting to Rs. 3,279,886 under the financial assistance of UN HABITAT. However, only 157 trees are available in the area where the plants were planted and as such, the expected results could not be achieved from this Project

3.4 Solid Waste Management

Although a solid waste collection centre established by NECCDEP Project at Thiruperumthurai at a cost of Rs. 100 million had been converted as a scientific waste collection centre, the people of the area had experienced inconveniences and there is a danger of spreading infectious diseases as this solid waste collection centre, was located in a populated area and it was constructed without obtaining environment protection license in terms of National Environment Act No. 47 of 1980 and without carrying out a feasibility study.

4. Accountability and Good Governance

4.1 Annual Procurement Plan

Annual Procurement Plan had not been prepared in terms of National Budget Circular No. 128 dated 24 March 2006.

4.2 Budgetary Control

As variations ranging from 0.2% to 90% between the budgeted and actual expenditure existed, it was observed that the budget had not been utilized as an effective instrument of management control.

5. Systems and Controls

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

- (a) Revenue Management
- (b) Budgetary Control
- (c) Control over Fixed Assets