

Eravur Urban Council – 2017

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted to Audit on 08 June 2018 and the report of the Auditor General had been furnished to the Chairman on 13 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Eravur Urban Council as at 31 December 2017 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 matters were observed.

- (a) The rental income in arrears (50-323) at the end of the year 2016 amounted to Rs.3,506,505 had not been brought as the opening balance during the year under review.
- (b) Rs.72,722,455 was spent on Road construction, drainage construction and building construction. But it had not been disclosed in the financial statements.
- (c) Rs.51,900 worth of goods were purchased by the Sabha to construct the parking area, which had been shown in the furniture account instead of building account.
- (d) Even though Rs.4,885,562 was the due to be paid to the Local Loan Development Fund at the end of the year under review, only Rs.1,069,617 had been disclosed in the financial statements.

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
	Rs.	
(i) Lands and Buildings	84,889,626	} Title Deed Register of Fixed Assets
(ii) Plant and Machineries	4,547,643	
(iii) Motor Vehicles	2,936,615	
(iv) Furniture and Fittings	3,895,210	

1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decision

Non-compliances with laws, rules and regulations are analysed and given below.

Relating to Laws, and Rules etc.	Non-compliance
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(a) In terms of Section 177(2) Chapter 255 of the Urban Council Ordinance	Action had not been taken to publish the summary of the Financial Statements for the year 2016 in the Government Gazette before 01 March of the following year
(b) Treasury Circular No. IAI/2002/02 dated 28 November 2002.	A separate register had not been maintained by the Sabha to record the computers, computer accessories and software.

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 2017 had amounted to Rs. 381,544. Compared to this, the excess of revenue over Recurrent Expenditure for the previous year amounted to Rs. 1,931,239 thus indicating an deterioration of Rs. 1,549,695 in the financial results.

2.2 Revenue Management

2.2.1 Performance of Revenue Collection

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- (i) The sent for the old market stalls Rs.5,018,060 was due to levied from 40 persons from 2012 to the end of 2016. But no action had been taken to recover it.
 - (ii) The lease income arrears for the period from 2007 to 2016 was Rs.791,655. But no action had been taken to recover it.

3. Operational Review

3.1 Performance

Sustainable Development Goals

According to resolutions at the 2015 Sustainable Development conference chaired by the Head of States of United Nations, no action had been taken to develop measurable indicators for the development Agenda to be achieved by the Sabha by 2030.

3.2 Management Inefficiencies

During the period from 1988 to 2014, the amount of advance payments paid to employees of the Sabha for various purposes amounted to Rs.2,983,996. But no action had been taken to recover it.

3.3 Human Recourses Management

Even though, authorized personnel are found for the post of accountant, no one had been appointed for the post, since the formation of the sabha.

4. Accountability and Good Governance

4.1 No action had been taken date as indicated in the Parliamentary Accounts Committee Report of the Eravur Municipal Council. Details are as follows.

(a) Construction of an unauthorized office building

- (i) According to the law, a square meter floor of a building should cost Rs.4,000. But Rs.5,300 had been spent for a square meter. Also, Rs.89,465,726 had been spent to the building which covers 1683 square meter. But the sabha had to provide another contract to complete the construction work as whole.
- (ii) The building had been considered an unauthorized building due to lack of prior approval from UDA, RDA and Environmental Authority. As a result, the sabha would be liable for penalties, when the appropriate authority takes legal action in this regard.
- (iii) Deputy Chief Secretary of Engineering Service is the authorized officer for supervising work and certifying invoices.

(b) Unauthorized construction of a cultural hall with library building

- (i) The contractor had actually filled 400.42 cubic meters of soil, but the sabha had paid the contractor for filling 988.80 cubic meters. As a result, the sum of Rs.1,176,760 had been paid additionally to the contractor by the sabha.
- (ii) The contractor had carried out a thick base of 66.04 cubic meters, but the payment had been made for 93.75 cubic meters thick base. As a result, the sum of Rs.387,980 had been paid to the contractor by the sabha.
- (iii) The construction is being carried out without prior approval from RDA, UDA and Environmental Authority.

(c) Construction of a market on the land of lease holder

The Ministry of Urban Planning and Water Supply had agreed to provide funds for the construction of a storey market block at total cost of Rs.193 million. Also, the Chief Secretary of the Eastern Province had made an agreement with the State Engineering Corporation on the construction of this market block at a cost of Rs.99,939,468. The building is being constructed on leased land by the sabha for a period of 33 years from 2 mosques for a total cost of Rs.22.28 million. However, calming that the land belonged to Eravur Municipal Council, which is being constructed, had received funds from the Ministry for the construction. The total cost of this market building was Rs.193 million. But the sabha had signed a contract worth Rs.99.94 million to avoid getting the approval from the cabinet.

(d) Recruitment of employees on contract basis

According to Public Administration Circular No.25/2014, when employees are recruited on casual and contract basis the prior authorization of the Department of Management Services and the approval for provision of funds should be obtained. However, 73 employees had been appointed on contract basis during the year 2015, 2016 and 2017 based on the request made by the Chief Minister of the Eastern Province, although the designation had already been surpassed by 25 officers.

(e) Not sending the contribution to the Public Services Provident Fund

According to circular No.02/2011 dated 24 February 2011 of the Department of pensions, employees and employer should contribute 8 per cent and 12 per cent of the salary respectively to the Public Service Provident Fund for casual and contract employees. However, the contributions of 73 employees recruited during 2015, 2016 and 2017 had not been deducted from their salaries and sent to the public services provident fund.

(f) Controversial Transaction

At the request of the Chief Minister of Eastern Province, Rs.22,000 had been spent for publishing the Birthday Wishes of former president in the press in 2014.

(g) Accounts Receivable

The lease arrears as at 31 December 2016 was Rs.3,213,941, Rs.1,135,760 had not been levied for over 7 years

5. Systems and Controls

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

Controls -----	Items that need special attention -----
(a) Accounting	Ledger Books should be updated and maintained regularly.
(b) Revenue Management	Action to be taken to recover the revenue in arrears.
(c) Budgetary Control	Past actual cost should be taken to consideration when preparing a budget.
(d) Control of Fixed Assets	(i) Maintenance of Fixed Assets Register. (ii) Action should be taken to use fixed assets that are not used in Sabha.