

**Eravur Urban Council - 2018**  
**Batticaloa District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial Statements for the year 2018 had been presented for audit on 18 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 08 May 2019 and 31 May 2019 respectively.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters described in paragraph 1.3, financial statements give a true and fair view of the financial position of the Eravur Urban Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**1.3.1 Accounting Deficiencies**

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<b>Accounting Deficiency</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Even though the court courts fine receivable for the month of November amounted to Rs.499,724 but not disclosed in the financial statements.	Action should be taken to recover on due time.	Accepted.
(b) Even though receivable stamp duty amounted to Rs. 326,764, but not disclosed in the financial statements.	Action should be taken to recover on due time.	Accepted.
(c) Although there were 40 Machineries in the Council, and the total value of those were Rs. 8,185,903, assets had not been valued from the	Correct value should be disclosed.	Accepted.

Valuation Department and disclosed them in the financial statements.

- (d) Even though a tractor had been purchased for a sum of Rs.1.38 million in the year under review but it was not taken into final accounts. The items belonging to the year under review should be added in the same year. Accepted.

### 1.3.2 Accounts Receivables and Payables

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Accounting Deficiency	Recommendation	Comments of the Accounting Officer
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(a) A sum of Rs.3,014,196 brought forward as advances had not been properly identified and action had not been taken to recover from the related persons.	Take immediate action to recover.	Steps are being taken to recover.
(b) Payable of Rs.3,683,541 had not been properly identified and action had not been taken to settle.	Should be settled during the relevant period.	Will pay properly in future.

### 1.4 Non-Compliance

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#### 1.4.1 Non-Compliance with Laws, Rules, Regulations and Management Decisions

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Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendations	Comments of the Accounting Officer
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Section 177 (2) of Chapter 255 of the Urban Council Ordinance	Although the summary of the Urban Council financial statement must be published in the Government Gazette for the public before the first of next March, action had not been	Action should be taken to publish on time.	Action has been taken.

taken to publish the summary of the financial statements of the Council for the year 2017 and 2018 even at 31 April 2019.

**2. Financial Review**  
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**2.1 Financial Result**  
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According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2018 amounted to Rs. 2,673,521 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 381,544, thus it shown an increase of Rs. 2,292,927 in the financial results.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Billed Revenue and Collected Revenue**  
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According to the details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year arrears income amounted to Rs.1,575,399.

**2.2.2 Rates and Taxes**  
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<b>Accounting Deficiency</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
Out of the bills amounting to Rs.2,954,298 of the year under review, only Rs.1,538,560 had been recovered. Approximately 50 per cent of taxes were not levied, and less than 50 per cent of amounts outstanding for the period prior to the year under review had been recovered.	Immediate action should be taken to recover.	Action will be taken in future.

### 2.2.3 Shop Rental

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Bidding rent, meat market taxes, old market taxes totalling Rs.4,717,114 have been outstanding without recovered since the year 2012.	Immediate action should be taken to recover.	Action had been taken.

### 2.2.4 License Fee

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
License fees amounting to Rs.1,629,185 remained in arrears without recovered. At the beginning of the year under review, a sum of Rs. 1,705,590 remained in arrears.	Action should be taken to recover outstanding balances even before 2015.	Arrears advertising can be minimized.

### 2.2.5 Other Revenue

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Other income amounting to Rs.2,138,308 remained in arrears without recovered.	Immediate action should be taken to recover.	Immediate action will be taken.

### 2.2.6 Courts Fines and Stamp Duty

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
A sum of Rs.499,724 as courts fines and Rs. 326,764 as stamp duty had to be recoverable as at 31 December 2018 from the Chief Secretary to the Provincial Council and all officers.	Action should be taken to recover on time.	Action will be taken in future.

### 3. Operational Review

#### 3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Council to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 4 of the Urban Council's Ordinance.

##### (a) Delay in Operational Performance

	<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
I	Although agreements have been signed in 2017 to construct a building complex at two religious sites, at an average cost of Rs. 193 million, these activities were not completed even by April 2019.	Action should be taken to make financial provisions quickly.	Action will be taken quickly.
II	Even though, it was entered to an agreement for an estimate of Rs.117 million for the construction of the cultural centre building with the Library Building Complex in the year 2016, these activities were not completed even by now.	Steps need to be taken to complete.	Contract activities had been completed.

##### (b) Sustainable Development Goals

	<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
	According to the decision of the Sustainable Development Conference of 2015, led by the Heads of State of the United Nations Member States, did not establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.	Implementing the Functions in accordance with the decision of the Sustainable Development Conference 2015.	Action had been taken to establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.

(c) **Solid Waste Management**

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**Accounting Deficiency**

**Recommendations**

**Comments of the  
Accounting Officer**

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According to the agreement entered with the UNOPS in April 2017 to establish a solid waste centre, it was agreed that the non-decaying garbage will be taken to the Koduvamadu Land filling centre and that organic fertilizer will be produced from the decaying garbage, on the contrary, some of the waste is dumped in the riverbank and no organic fertilizer is produced.

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Special arrangements should be made for disposal in the weekends.

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Arrangements have been made.

(d) **Environmental Issues**

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**Accounting Deficiency**

**Recommendations**

**Comments of the  
Accounting Officer**

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Out of the estimation of Rs.32 million, a children's park had been constructed by the Ministry of Tourism of the Central Government at a cost of Rs.13,654,689, the children's park has not been available to the public for more than two years due to garbage disposal.

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Need to act quickly without wasting time.

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Steps has been taken to use quickly.

(e) **Delay in Operational Performance**

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Following delay in operational performances had been occurred.

<b>Detail</b>	<b>Rs. Mn.</b>	<b>Date to be completed</b>	<b>Expenditure as at 31 December 2018</b>	<b>Reasons for Delay</b>
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Market Building	193	June 2017	51	Financial provision not made
Library Building and Cultural Centre	117	December 2016	17.45	Financial provision not made

**(f) Abandoned Operations**

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Commercial Building Complex on main road comprising 64 shops completed in 2001 at a cost of approximately Rs. 10 million and it was observed that up to now it has been opened for public use and has been closed without receiving any rental income.	Action should be taken immediately after the verdict.	Is being heard in court.

**3.2 Management Inefficiencies**

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Lands belonging to two religious places on the Punnekkuda road have been obtained for long term lease for 33 years and entered into an agreement in October 2016 for construction of a Market Building Complex at an estimated cost of Rs. 193 million and a monthly rent of Rs. 56,000 has been paid since then. Since the market building complex had not been completed, the rent of the land had been paid to these religious places since October 2016 without any income.	Need to make financing very fast.	Action will be taken to obtain financing.

**3.3 Human Resource Management**

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) There were 14 workers exceeding the approved number.	Suitable other procedure should be established.	Forty employees who have been worked for 180 days have been added to the permanent number.

**(b) Staff Loans**

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A sum of Rs. 98,750 had been arrear without recovering from 04 officers who were vacated the posts and transferred more than 02 years.

Action should be taken immediately, if not should be recovered from the guarantors.

Action had been taken.

**3.4 Operational Inefficiencies**

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**Accounting Deficiency**

**Recommendations**

**Comments of the Accounting Officer**

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(a) Action had not been taken to assess annually the all properties belonging to the Council area and recover the rates and taxes.

It should not fail to take action in the year 2019.

Action had been taken in the year 2019.

(b) Out of those who rented old shops, a sum of Rs. 5,018,060 had been arrears from 39 rentees from the year 2011 to the year 2016 without being recovering. Since they were in arrears in 2011 but have been continuously levied for the rest of the year till 2016, without being charged the old arrears had not been recovered. Further, no legal action has been taken against them.

**3.5 Annual Board of Survey**

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**Accounting Deficiency**

**Recommendations**

**Comments of the Accounting Officer**

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An annual Board of survey had not been conducted for the year under review. Further, An annual Board of survey had not been conducted for the Library for several years.

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Actions should be quick.

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Actions are being taking.



### 3.5.1 Vehicle Utilization

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
Vehicle registration certificates for 09 vehicles belonging to the Council had not been obtained according to the provisions made in the Act of Department of Motor Vehicles.	Actions should be quick.	Actions had been taken.

### 3.5.2 Contract Administration

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
A sum of Rs.8,324,190 had been estimated for the construction of the Karumariyamman Kovil road by five phases from the year 2015, although NELSIP had spent a sum of Rs.9,048,855 from the grants provided to the Provincial Council, from the financial provision of the Central Government, NELSIP's provincial work was not yet complete. Further, 05 estimates had been prepared separately and five contracts had been prepared without making an estimate for this purpose.	Estimates should be prepared correctly and actions should be taken accordingly.	Unavoidable instances and inadequate financial level.

## 4. Accountability and Good Governance

### 4.1 Reports of Committee On Public Accounts

<b>Accounting Deficiency</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
No action has been taken so far in the matters reported in the Eravur Municipal Council's 2017 Public Accounts Committee Report.	Immediate action should be taken on Reports of the Public Accounts Committee.	Action will be taken immediately.

**4.2 Budgetary Control**

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**Accounting Deficiency**

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On the average, only 50 per cent of the assessed valuation had been recovered from houses, shops, land etc. in the year under review. It was revealed that the budget was not used as an effective controller, as only 53 percent of the deficit was recovered.

**Recommendations**

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The budget should be prepared on the correct estimates. Income and expenditure of previous years should also be taken into accounts.

**Comments of the Accounting Officer**

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Action will be taken immediately.

**4.3 Internal Audit**

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**Accounting Deficiency**

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An internal audit unit had not been established in terms of the Municipal Ordinance (Chapter 255).

**Recommendations**

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Committee reports should be submitted to audit.

**Comments of the Accounting Officer**

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Implementing continuously.

**4.4 Audit and Management Committee**

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**Accounting Deficiency**

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No audit and management committee meetings were held in the year under review.

**Recommendations**

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Audit committee meetings should be conducted properly and solutions should be given to issues.

**Comments of the Accounting Officer**

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Implementing at present.