

Eravur Urban Council

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2016 had been submitted to Audit on 31 March 2017 while the Financial Statements relating to the preceding year had been submitted on 18 April 2016. Report of the Auditor General relating to the year 2016 had been furnished to the Secretary of the Council on 30 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effect 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 2016 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 interest payable to the Local Loan Development Fund amounting to Rs. 417,285 for the year under review had not been brought to accounts.

1.3.2 Lack of Documentary Evidence

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

<u>Item</u>	Value	<u>Lack of Evidence</u>
	Rs.	
Lands and Buildings	84,739,626	Title Deed
Plant and Machineries	4,255,593	
Motor vehicles	2,492,615	Register of Fixed Assets
Furniture and Fittings	3,150,200	

1.3.3 Non -compliance with Laws, Rules, Regulations and Management Decisions.

 Action had not been taken to publish the summary of the Financial Statements for theyear 2015 in the Government Gazette before 01 March of the following year in terms of Section 177(2) Chapter 255 of the Urban Council Ordinance.

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 2016 had amounted to Rs. 1,931,239 as compared against the excess of recurrent expenditure over revenue for the previous year amounted to Rs. 402,649.

3. Operating Review

3.1 Management Inefficiencies

 Loan balance amounting to Rs. 18,395 had not been recovered for the past four years from an Officer who went on transfer.

3.2 Contract Management

 Although a road had been concreted to the length of 71.2 cubic meter, the Technical Officer had certified that the road had been concreted for 79.38 cubic meter and payment amounting to Rs. 1,078,774 had been made to the contractor accordingly thus making an overpayment of Rs. 111,166.

4. Accountability and Good Governance

4.1 Unresolved Audit Paragraphs

 Reference is given below regarding the unresolved audit paragraphs containing the irregularities and deficiencies indicated in the Auditor General's Reports relating to the Sabah.

Reference to the Report		Item included
Year	No. of Paragraph	
2015	4.1(b)	Action not taken regarding the tractors under repair.
2015	3.2.3	Action not taken to recover the Entertainment Tax from cinema theatre.
2015	3.2.2	Non-settlement of advances granted to employees.

5. **Systems and Controls**

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

Controls		Items that need special attention
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Control of Fixed Assets	(i)	Maintenance of Fixed Assets Register
	(ii)	Taking action in respect of unutilized idle assets.
Revenue Management		Taking action to recover the Revenue in arrears.