

Batticaloa Municipal Council

Batticaloa District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 13 March 2015 while Financial Statements relating to the preceding year had been submitted On 27 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Council on 07 August 2015.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Batticaloa Municipal Council as at 31 December 2014 and its financial performance for the year then ended and cash flows in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) The Water Bowser valued at Rs. 6,860,650 disappeared during the year 2003 had been brought to account as an asset in the financial statements without action being taken to write-off from the books.
- (b) Although the value of Library Books in the Library of Municipal Council had been assessed and taken to accounts, value of 262 books amounting to Rs. 38,686 not returned by the readers had not been taken to accounts. Accordingly, value of books had been understated in the Balance sheet.
- (c) Value of Body Building Equipment received as a donation from a Non-Governmental Organization during the year 2004 had not been assessed and brought to accounts.
- (d) Pension contributions amounting to Rs. 28,454,977 was payable to the Department of Pensions due to failure in taking action to remit the contributions recovered monthly since the year 1995 up to end of the year under review from the employees.

1.3.2 Accounts Receivable and Payable

Following observations are made.

- (a) The sum of Rs. 422,555 payable for the service obtained from Planning Officers during the period from the year 2011 to the year 2013 had been kept in the Deposits Account without action being taken to settle.
- (b) Staff Loans amounting to Rs. 465,011 due to be recovered from 11 officers who had retired and left on transfers had been shown continuously in the financial statements without action being taken to recover from their retirement gratuity or the guarantors.
- (c) According to the letter No. PL//7/3/4/49 dated 24 November 1999 of the Ministry of Provincial Councils and Local Government, the Entertainment Tax payable by the Cinema Hall Owners for the period from 01 December 1999 to 31 December 2007 should be obtained from the Commissioner of Local Government. Accordingly, the Entertainment Tax amounting to Rs.744,020 to be recovered from the Commissioner of Local Government had not been obtained up to now.

2. Financial Review

2.1 Financial Results

While according to the Financial Statements presented, financial result for the year under review had been an excess of revenue over recurrent expenditure amounting to Rs.29,634,718, when compared with the preceding year excess of revenue over recurrent expenditure had been Rs.20,723,861 indicating an improvement in a sum of Rs.8,910,917 in the financial results.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information as furnished by the Municipal Council relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Item of Revenue	Estimated Revenue	Actual Revenue	Accumulated Arrears
-----	-----	-----	-----
	Rs.	Rs.	Rs.
	000	000	000
Advertisements Charges	3,814	3,112	1,371
Business Taxes	8,912	6,831	3,339
Slaughter House Charges	33	27	23
Lease Rent	6,872	6,872	6,776
Entertainment Tax	142	89	797
Lodging Taxes	185	185	326
Stalls Rent	2,222	1,888	1,088
Fair Taxes	3,168	2,954	752
Rest House Charges	468	--	1,030

2.2.2 Property Tax

Although Property Tax amounting to Rs. 19,509,383 due to be recovered from the residents in the area of authority of the Municipal Council from the year 2008 to the end of the year under review should have been recovered, it had not been recovered.

2.2.3 Rates

Although Rates amounting to Rs. 2,296,174 due to be recovered from trade centers from the year 1983 to the end of the year under review should have been recovered, it had not been recovered.

2.2.4 Other Revenue

When leasing out common places belong to the Municipal Council taking properties as security or bank guarantee or the full amount at the beginning itself had not been made. Due to that, a sum of Rs.776,204 due to be recovered from 61 individuals from the year 1990 to the end of the year under review had not been recovered.

3. Operating Review

3.1 Management Inefficiencies

Although the Milo Meters of 8 vehicles had been defunct for a period exceeding six years, vehicles had been used continuously, without being repaired.

3.2 Idle assets

Four Tractors and two Bowser Vehicles that could be used after repairs, belong to the Council had been kept idle for a period exceeding six years.

3.3 Transaction of Contentious Nature

Contrary to Part IV in Municipal Councils Ordinance Chapter 252, five plots of land belong to the Council had been given on lease for a very nominal amount monthly rent for a long period such as 05 to 30 years for trading activities by the Mayor without following the tender procedure during the years 2011 and 2012.

Name of the Land	Extent of the Land	Value of the Land Rs.	Lease Period	Monthly Amount Rs
Coffin Stalls, Pillayaradi	Perches 36.69	2 Million	30 years	4,000
Three Wheeled Vehicles Garage, Pillayaradi	Perches 23.72	2 Million	30 years	2,500
Public Well	Square Feet 155.25	3 Million	30 years	1,500
Tank Bund Building	Perches 16.75	4 Million	05 years	1,000
Tharsa Emporium	Square Feet 568.25	4 Million	Annually	5,000

4. Accountability and Good Governance

Budgetary Control

It was observed that the Budget had not been made use of as an effective tool of management as variations in a range from 12% to 106% were observed between the Budget and actual expenditure and revenue.

5. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Revenue Collection
- (b) Budgetary Control
- (c) Maintenances of Fixed Assets.