

**Eravur Urban Council**

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**Batticaloa District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year 2019 had been submitted to audit on 02 March 2020 and the Summarized Auditor General's Report on that financial statements were sent on 30 June 2020 and the Detailed Management Report was sent on 19 June 2020 to the Chairman.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph of Basis for Qualified Opinion, financial statements give a true and fair view of the financial position of the Eravur Urban Council as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**1.3.1 Accounting Deficiencies**

<b>Accounting Deficiency</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Even though receivable stamp duty amounted to Rs.326,764, but not disclosed in the financial statements.	Stamp duty receivables of Rs.326,764 should be disclosed in the financial statements.	I would like to inform you that the court penalties and other revenue receivables due in arrears of government revenue are disclosed in the balance sheet (UC 18).

**1.4 Non-Compliance**

**Non-Compliance with Laws, Rules, Regulations and Management Decisions**

The following are some instances where laws, rules, regulations and management decisions are not complied with.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliances</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
<b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>			
(i) Financial Regulation 371	No action had been taken to recover the	Action should be taken immediately.	I would like to inform you that the advances which

advance of Rs.3,149,332 given for several years.

have not been settled for several years are being identified and submitted to the Chief Secretary of the Eastern Province for approval.

(ii) Financial Regulation 571

A sum of Rs.15,023,038, which had been due for several years, had not been settled. Action should be taken immediately.

I would like to inform you that deposits which have not been identified for several years are currently being classified under each heading and the deposits payable are being refunded or transferred to income.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the recurrent revenue over expenditure for the year ended 31 December 2019 amounted to Rs. 4,101,063 when compared with the revenue over recurrent expenditure of the preceding year amounted to Rs. 2,673,521.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue and Collected Revenue and Arrears Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year as per the information submitted are shown below.

Revenue Item	<u>2019</u>				<u>2018</u>			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1 Rates and Taxes	9,145,500	17,758,436	6,152,549	11,605,886	3,708,000	15,111,703	4,583,686	10,528,016
2 Rental	2,200,000	5,388,445	2,049,927	3,338,518	4,216,130	8,975,694	6,458,141	2,517,552
3 Licence Fee	6,975,000	8,673,055	5,686,800	2,986,255	1,650,000	3,515,240	1,805,650	1,709,590
4 Other Revenue	<u>101,942,500</u>	<u>105,443,764</u>	<u>81,073,908</u>	<u>24,369,856</u>	<u>70,470,160</u>	<u>70,804,398</u>	<u>71,300,176</u>	<u>1,575,399</u>
Total	<u>120,263,000</u>	<u>137,263,700</u>	<u>94,963,184</u>	<u>42,300,515</u>	<u>80,044,290</u>	<u>98,407,035</u>	<u>84,147,653</u>	<u>16,330,557</u>

## 2.2.2 Revenue Collection Performance

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>The opening arrears balance for the year under review was Rs.17,097,544 and this amount had increased to Rs. 23,288,690 at the end of the year. But all arrears in the previous year had not been fully recovered.</p>	<p>Documents should be updated and arrears should be recovered.</p>	<p>According to your analysis, most of the amount referred to as revenue collection arrears applies to the period prior to 2015. There is no documentation related to these, and this value is consistently shown in financial statements, as arrears. This could be deducted when it was recovered extra to the estimates in each year.</p>

## 2.2.3 Shop Rent

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>(a) Bidding rent, meat market taxes, old market taxes totalling Rs.4,975,606 have been outstanding without recovered since the year 2012.</p>	<p>Reports are prepared based on information received from the office, but document maintenance is best.</p>	<p>These values are different when compared to the arrears in your analysis report.</p>
<p>(b) The entertainment tax of Rs.179,630 remained unpaid for a long time.</p>	<p>Action should be taken to recover.</p>	<p>I would like to inform you that these arrears could not be recovered as that the relevant cinema manager had gone abroad and settled abroad.</p>

## 2.2.4 Courts Fines and Stamp Duty

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>A sum of Rs.10,257,400 as courts fines and Rs. 2,533,672 as stamp duty had to be recoverable as at 31 December 2019.</p>	<p>Action should be taken to recover.</p>	<p>A sum of Rs.2,967,550 out of Rs.10,257,400 of stamp duty has been sent to the District Secretariat for refund and only 7,289,850 is due to our Council. In addition, we received Rs.2,535,672 as court fees in May 2020.</p>

### 3. Operational Review

#### 3.1 Performance

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<b>(a) Sustainable Development Goals</b>			
	Sabha did not establish the indicators for the Sustainable Development Programs Agenda to be achieved by 2030.	Works to be expedited.	Steps have been taken to formulate indicators that will determine the development program agenda.
<b>(b) Solid Waste Management</b>			
	Some of the waste is dumped in the riverbank and no organic fertilizer is produced.	Despite various attempts, the Council faced many problems, and Urgent action must be taken to prevent further protests from the people.	Systematic management programs are being implemented to educate the public and separate waste by utilizing the resources available from the Council.
<b>(c) Environmental Issues</b>			
	Out of the estimation of Rs.32 million, a children's park had been constructed by the Ministry of Tourism of the Central Government in the year 2017 at a cost of Rs.13,654,689, but, the children's park has not been available to the public for more than two years due to the adjacent garbage disposal.	Should be open to the public use.	Shade trees will be planted and maintained in the park and I would like to inform you that plans have been made to open it to the public after the unusual conditions in the country.
<b>(d) Abandoned Operations</b>			
	It was observed that the shopping complex on the main road consisting of 64 shops, which was completed at a cost of Rs.10 million in the year 2001 had not been open to the public and closed without receiving any rent up to now.	Should take action as soon as the court decision is given.	A case is hearing in the Batticaloa District Court (Case No. L / 5320) which was filed on 18 December 2009. As a result, the market cannot be made available to the public until a court decision is made, and revenue cannot be recovered.

### 3.2 Management Inefficiencies

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
<p>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.</p>	<p>It should be opened very soon and work to earn revenue.</p>	<p>A sum of Rs.56,000 per month will be given to the two places of worship as per the terms of the agreement. The relevant market is temporarily operating on the railway station land. Accordingly, the rent is paid by the daily income from that market.</p>

### 3.3 Human Resource Management

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
<p><b>Vacancies and Excesses in Posts</b> ----- There were 03 vacancies in territory level staff and 20 excesses in primary level</p>	<p>Should transfer the excess officers and fill the vacancies.</p>	<p>Contract / Acting based employees of our Urban Council in the years 2015, 2016, 2017 are recruited due to urgency and are on duty at a salary of Rs. 391 per day according to the financial status of the Council. They were recruited on a temporary basis with the approval of the Secretary to the Chief Minister of the Eastern Province. Out of these, 40 employees had been recruited as Permanent Employees (Personal to Holder) as per Public Administration Circulars No. 25/2014, 24/2014 (1) on completion of 180 days of service. For this reason, the actual number of employees at the primary level was higher than the approved number. It is hoped that these issues can be resolved by requesting approval to obtain the employees we need in line with the current recruitment process.</p>

### 3.4 Assets Management

#### 3.4.1 Non-Documentation of Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Council had not taken appropriate action until the year under review to identify and mark all lands and buildings belonging to the Council.	All assets must be included.	I would like to inform you that fixed asset documents are prepared and maintained.

#### 3.4.2 Maintenance and repair

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Four tractors belonging to the council had not been repaired for more than 03 years.	Appropriate action should be taken.	Repairs will be done in the future.

#### 3.4.3 Vehicle Utilization

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Vehicle registration certificate books for 09 vehicles in the Council had not been obtained as per the provisions of the Department of Motor Traffic Act. Pickup, Tractor, Roller, 02 water bowser have not been repaired for a long time. Pickup, Tractor, Roller, 02 water bowser have not been repaired for a long time.	Appropriate action should be taken.	Arrangements are being made to recommend and sell the relevant vehicles at auction.

#### 3.4.4 Contract Administration

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Although the construction of drains on Karumariamman Kovil Road was estimated at Rs.8,324,190 in five phases from 2015 but even a sum of Rs.9,048,855 for this, the work had not yet been completed.	Care should be taken not to have such problems in the future.	The expenditure was more than the estimated value as the work was completed in the relevant year as a continuation of the work.

**(b) Unauthorized Construction of Office Building**

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The building was considered an unapproved building due to lack of prior approval from the UDA, RDA and the Environment Authority.

Legal approvals from the relevant institutions should be obtained immediately.

Action is being taken to obtain relevant approvals from the RDA and Central Environmental authority.

**(c) The Cultural Pavilion with the Library Building Complex**

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(i) The contractor had actually supplied 400.42 cubic meters of soil, but the council had paid the contractor to fill 988.80 cubic meters of soil. As a result, Rs.1,176,760 was overpaid to the contractor.

Action should be taken to recover the overpaid amount.

A committee with technical expertise, knowledge and experience is being appointed to take action on this report.

(ii) Although the Contractor had carried out surface work with a thickness of 66.04 cubic meters, payment had been made for a surface with a thickness of 93.75 cubic meters. As a result, Rs. 387,980 was overpaid to the contractor.

Reports should be expedited and a copy submitted for audit.

A committee with technical expertise, knowledge and experience is being appointed to take action on this report.

(iii) The construction was carried out without the prior approval of the RDA, UDA and the Environmental Authority.

Approval should be taken.

Work is in progress to obtain approval.

**4. Accountability and Good Governance**

**4.1 Internal Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
An Internal Audit Unit had not been established.	The work of this unit needs to be expedited.	This unit will be established under the leadership of an Internal Auditor and its activities will be submitted for audit.

**4.2 Audit and Management Committee**

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**Audit Observation**

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Only 02 Audit and Management Committee meetings were held during the year under review.

**Recommendation**

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There should be 04 committee meetings.

**Comments of the  
Accounting Officer**

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I would like to mention that 03 Audit and Management Committee meetings were held.