

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Batticaloa Municipal Council including the financial statements for the year ended 31 December 2023 comprising the balance sheet as at 31 December 2023, Income and Expenditure Account, Cash Flow Statement for the year, significant Accounting Policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 219 of the Municipal Councils Ordinance (Chapter 252) and provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Batticaloa Municipal Council as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Municipal Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the municipal council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Municipal Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal Council has complied with applicable written law, or other general or special directions issued by the governing body of the Municipal Council.
- Whether it has performed according to its powers, functions and duties; and

- Whether the resources of the Municipal Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

- The financial statements of the Municipal Council presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all recommendations made by me in the previous year, as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Council	Recommendation
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(a) Salary refund amount of Rs.13, 795,223 which was shown as opening balance in the financial statements was received in this year under review but it was shown in the financial statements as balance due at the end of this year under review .	This calculation error will be corrected in the future financial statement in the past adjustment.	Salary refunds received should be adjusted against receivables.
(b) A penalty amount of Rs 1,696,247 to be collected from 23 persons who had undertaken construction without obtaining a building application was not shown in the financial statements as outstanding income.	Actions will be taken to disclose in the financial statements in the coming year.	Actions should be taken to show the amount of penalty to be paid in the financial statements.
(c) 836,449 rupees for solid waste for the months of November and December and October Telephone, water and electricity service charges payable for the months of November and December amounting to Rs.359,908 have not been shown as practical liabilities in the financial statements.	Steps will be taken to correct these issues in the coming year.	Action must be taken to show as liabilities In the financial statements.
(d) The value of 1,884 books received as	The value of donation books	Action should be taken to

donations for the 09 nos. of libraries will be shown in the future show the donation books till the end of the year under review year. in the financial amounting to Rs. 554,583 and unvalued 389 books had not been shown as assets in the financial statements. statements.

1.7 Non- Compliances

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

Following observations are related to non-compliances with Laws, Rules, Regulations and Management decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Council	Recommendation
(a)	Municipal Council Ordinance (Chapter 252)			
(i)	Section-71(1)	Street names including boundary roads are not gazetted.	Steps are being taken by the Urban Development Authority to gazette the streets.	Action should be taken to gazette the streets.
(ii)	Section-212	Although the statement of proposed revenue and expenditure of the Municipal Council is required to be published for open inspection of the public in 02 or more newspapers or gazettes, the authorized body for review has not been published in Newspapers.	I assure you that this kind of mistake will not happen in the future.	In accordance with the law, Action should be taken to publish the statement of proposed revenue and expenditure of the council in the Newspaper or gazette.
(b)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i)	Section 104-110	A police complaint has not been lodged	In this regard action will be	An inquiry should be taken as per the

		regarding the Loss of furniture and other property including a PABX worth Rs 800,000 due to the fire in the Deputy Commissioner's office, but no action has been taken as per the Financial Regulation.	taken by notifying the Local Government Commissioner and conducting an inquiry and receiving a report.	Financial Regulation.
(ii)	Section 571 (1) ,(2) & (3)	Deposits of Rs. 28,259,240 from 08 persons, which were lapsed two years, had not been disposed.		Action should be taken to return the deposits to the proper persons or transfer them to income account.
(c)	Public Admin Circular No. 08/2014 dated 26th December 2014	No action has been taken to insure the 22 vehicles found in the council.	Vehicle registration book will be obtained and steps will be taken to get insurance.	Vehicle registration book will be obtained and steps will be taken to get insurance.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2023 amounted to Rs. 178,416,549 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 156,875,725 in the preceding year.

2.2 Revenue Administration

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

The details relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	2023			2022		
	Estimated Revenue	Revenue	Arrears as	Estimated Revenue	Revenue	Arrears as

	Revenue	billed	Collected	at 31	Revenue	billed	Collected	at 31
	-----	-----	-----	December	-----	-----	-----	December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
i. Rates and Taxes	41,025,000	89,067,895	34,795,382	54,272,512	41,000,000	46,577,956	36,727,599	44,644,197
ii. Rent Income	15,300,000	33,028,491	19,945,068	13,083,423	27,250,100	24,475,385	23,566,524	16,492,094
iii. License Fees	18,700,000	28,764,226	25,400,154	3,364,072	16,511,000	23,152,047	23,740,059	2,066,751
iv. Other revenue	111,682,000	94,114,292	94,114,299	-	159,827,000	253,065,050	239,269,827	13,795,223
Total	186,707,000	244,974,904	174,254,903	70,720,007	244,588,100	347,270,438	323,304,009	76,998,265

2.2.2 Revenue Collection Performance

Following are observations on the performance of all revenue collections of the council.

Audit Observation	Comment of the Council	Recommendation
(a) Rate and Taxes		
(i) It was observed that a total amount of Rs. 2,142,428 rupees was outstanding for more than 03 years as Assessment tax arrears from the government sector institutions and there was a delay in the activities to settle it.	A letter has been sent to the Railway Department and the Fisheries Department, which have high arrears.	Action should be taken to settle the outstanding balances.
(ii) In spite of the fact that the income listed in the survey for Properties such as house, shop and land was Rs. 44,644,197, only Rs. 31,170,262 was Recovered.	Steps have been taken to collect the annual dues within due time.	Action should be taken to collect the annual dues within due time.
(iii) Only Rs 4,944,113 which is 11 percent of the ascement rate of Rs 44,423,697 found at the beginning of the year under review.	Due to lack of Revenue Inspectors it is difficult to collect.	Action should be taken to Long Term Arrears within due time.
(b) As per Section 247 (c) of the Municipal Council Ordinance, Outstanding amount of Rs. 302,500 from 05 Telecommunication towers for 4 years had not been recovered.	A letter has been sent to Sri Lanka telecom to settle the balances.	Actions should be made to collect license fees for Telecommunication towers .

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) According to the Circular No. SEC/2022/03 of the Inland Revenue Department dated on 2022 December 23, , a withholding tax of Rs. 4,854,181 was deducted from the interest income of the deposits made by the local government companies in the year under review. However, no action is taken by the Council to recover this amount from the Inland Revenue Department.	The cremation will be done soon.	Action should be taken to recover the withholding tax from the Income Tax Department.
(b) A sum of Rs.326,350, which has been outstanding for a long time on rent of government houses, has not been settled till the end of the year.	Appropriate steps are being taken to settle the outstanding house rent since 2010.	Action should be taken to identify the arrears and settle the rents.
(c) During the year under review, no action has been taken by the council to assess the value of 41 lands received through sub-division.	A committee has been appointed to estimate the value of 41 lands and obtain consistent data and a project is underway.	Action should be taken to identify the arrears and settle the rents.
(d) In terms of Municipal Council Ordinance No. 29 of 1947 (Chapter 252) and chapter 188(r) the commissioner or Mayor may reimburse the expenses incurred on behalf of the council from the council funds. However, the amount of rupees 248,500 was paid to the special court case No EP/HCB/CC/02/2021 and EP/HCB/CC/03/2021 which personally filed by the former Mayor against the former Commissioner of Municipal Council through the	No answers	Action should be taken to recover unbilled unlawful expenditure by the council.

resolution No. BMC/GM/-59(70)2023-04 and refund was made. However, no action has been taken to recover the payment made in violation of this clauses.

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| <p>(e) Five plots of land measuring 97 Perch which were handed over to the Municipal Council in connection with the sale of private land within the municipal limits, were acquired by the former Commissioner in his and his wife's possession. Changes were made between 2003 and 2006. Although it was pointed out in the previous year's audit report, no action has been taken by this council.</p> | <p>In this regard, a complaint No. BC/1829/2015 has been filed with the commission to investigate allegations of bribery or corruption and the commission has decided to investigate.</p> | <p>Action should be taken to recover the properties acquired by the ex-commissioner on behalf of himself and his wife.</p> |
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3.2 Assets Management

Audit Observation	Comment of the Council	Recommendation
<p>(a) Although 13 vehicles belonging to the council were found to be in a status of disrepair for a long time. No action has been taken by the council to correct and reuse or dispose it.</p>	<p>No answers</p>	<p>Action should be taken to repair and reuse the vehicles.</p>
<p>(b) 15 Toners found available in the store for more than 04 years and unused due to un used model of the printers.</p>	<p>In 2024 it will be fixed during the Board of survey.</p>	<p>Purchases should be based on demand at the time of purchase</p>

3.3 Management of Vehicle Usage

Audit Observation	Comment of the Council	Recommendation
<p>(a) Without following the circular No 30/2016 of the Ministry of Public Administration and Management dated December 29, 2016 , 03 tractor machines belonging to the council repaired Without the the process of</p>	<p>Corrective action will be taken.</p>	<p>Action should be taken to modify the trailers.</p>

handing over and taking over for the major engine repair work of in August 2022 . It was delivered to the vehicle repair station at Valaichenai and the repair work was incomplete and the vehicle was returned to the council as the status of the engine removed and not refitted properly.

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| (b) | As per Section 13 of Running Chart , details of each visit should be recorded separately and To be completed on a daily basis and submitted to the officer in charge of the vehicle. However, fuel worth Rs. 434,946 was consumed without completing the driving record of the vehicle provided to the fire department of the investigation. | No answer | The driving record of the vehicle should be completed and verified by the appropriate officer. |
| (c) | Check the vehicle driving record while refueling for the vehicle operating in the fire department; PUE fuel order (Fuel order) and keep stock; 1,021 liter of fuel worth Rs.434,946 has been filled. Due to this, when the diesel tank belonging to the council was physically inspected, a difference of 544 liters of diesel worth Rs. 231,744 was found between the registered balance and the actual balance. | No answer | The books should be maintained in such a way that the book balance and actual balance are kept equal. |

3.4 Human Resources Management

Audit Observation	Comment of the Council	Recommendation
(a) Employee Vacancies and Excess As per the Approved Carder lists of the Department of Management Services, there are 113 vacancies at the primary level, 40 vacancies at the secondary level, 04 vacancies at the tertiary level and 04 vacancies	Vacancies are sent to the Provincial General Administration Ministry and the Training and Personnel Department in a monthly statement indicating the	Actions should be made to fill up employee vacancies and regularize excess.

at the senior level, a total of 161 number of vacancies. vacancies, so the services provided by the council to the public were seen as weak.

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| (b) | Employees who are to be retired from deceased and retired employees; The loan balance is Rs 582,788. | Only Rs 186,830 loan balance of an employee is not available from Pensions Department. | Actions should be taken to recover outstanding employee loans. |
| (c) | While providing loans to employees, the loan should be refinanced considering their service period. However, no action has been taken by the council to settle the outstanding amount of Rs. 599,800 due to loan to 11 employees without considering the service period. | Actions are taken to dispose of the pension money. | Actions should be taken to recover outstanding employee loans. |

4. Accountability and Good Governance

4.1 Environmental issues

Audit Observation	Comment of the Council	Recommendation
National Health Protection Act No. 47 of 1980 and Act No. 56 of 2000 as amended; Prakaram-e Tirupperundururai solid waste treatment plant and sewage treatment plant; Environmental Protection Licenses for (Night Soil Plant) have not been obtained till the end of the review year.	After the deficiencies are rectified, steps will be taken to obtain environmental protection licenses.	Steps should be taken to obtain environmental protection licenses.