

**1. Financial Statements**

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**1.1 Qualified Opinion**

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The audit of the financial statements of the Eravur Urban 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 181 (1) of Urban Council Ordinance (Chapter 255) 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 Eravur Urban 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**

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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**

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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 Urban Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the urban 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)**

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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 Urban Council, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Urban Council has complied with applicable written law, or other general or special directions issued by the governing body of the Urban Council.
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Urban 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

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

- The financial statements of the Urban 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

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### 1.6.1 Accounting Deficiencies

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Audit Observation	Comment of the Council	Recommendation
Fixed deposit interest income amounting to Rs. 319,880 during the year under review has not been shown in the financial statements.	That the outstanding water charges from the current year will be disclosed as current assets in the financial statements.	Arrears should be disclosed as an asset in the financial statements.

### 1.6.2 Documentary Evidences not made available for Audit

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Audit Observation	Comment of the Council	Recommendation
As at 31 December of the year under review, 06 account balances worth Rs. 237,953,471 could not be satisfactorily monitored during the audit due to non-submission of title deeds, fixed asset registers, schedules with balances.	That the registers have been updated and the actions are being processed to obtain deeds.	Required evidence should be submitted to the audit.

## 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.

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
<b>(a)</b>	Urban Council Ordinance (Chapter 255)			
(i)	Sections 44, 46 and 49	Even by the end of the year under review, no action had been taken to publish the 628 roads under the care of the council in the gazettes.	No answers.	Actions should be taken to gazette all the roads.
(ii)	Sections 170 (1) and (2)	10,807 out of total properties valued up to the end of the year; Actions have not been taken for crediting the Assessment Rate Tax arrears from 304 owners with a balance of Rs 6,063,395 over Rs 10,000.	Actions have been taken to collect the outstanding property tax in the year 2023.	Actions should be taken to collect the assessment tax as per the provisions of the Act.
<b>(b)</b>	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Sections – 371(2)(a)	From 1988 to 2013, no steps have been taken by the council to collect Rs. 399,386 from the beneficiaries.	Currently, actions are being taken to identify and submit them for the approval of the Chief Secretary to write off the advances.	Actions should be made to cover the advance.

- (ii) Section 571 (1) ,(2) & (3) Deposits of Rs. 2,536,116 from 11 persons, which were lapsed two years, had not been disposed. Actions have been taken to return the overdue deposits of more than two years to the concerned persons or convert them to income account. Action Should be taken to deal with deposits of lapsed more than two years.

## 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. 6,849,118 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 8,726,921 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 billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
i. Rates and Taxes	13,393,510	37,471,865	15,228,233	22,243,632	11,311,941	11,877,209	12,035,593	20,632,517
ii. Rent Income	13,510,800	11,530,679	5,876,910	5,653,769	14,130,400	4,898,114	4,580,713	5,973,759
iii. License Fees	11,074,000	5,521,180	5,407,180	114,000	3,650,000	2,754,705	2,754,705	-
iv. Other revenue	16,731,850	18,426,088	15,738,024	2,688,064	27,589,466	104,382,212	104,273,416	8,875,257
Total	54,710,160	72,949,812	42,250,347	30,699,465	56,681,807	123,912,240	123,644,427	35,481,533

## 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 -----
<b>(a) Rates and Taxes</b>		
(i) In the year under review, out of Rs 37,471,865, only Rs 15,228,233 were disbursed.	No answers	Actions should be made to collect the arrears of income.
(ii) From 2013 to the end of the review year, the sewage tax to be collected from 34 poultry shops was Rs.484,547 and tamasha tax; No action has been taken to invest the sums of Rs.177,857.	Due to death and emigration, the possibility of the recovery of these balances is limited.	Arrangements should be made to recover the due revenue within the respective periods.
<b>(b) Rent</b>		
(i) No action has been taken to settle the amount of Rs. 311,350 due from 15 tenants for renting the shops located in the market building block in the new market of Ebravu+r for more than 5 years.	Action had been taken to inform to the lessee.	Action should be taken to lease arrears.
(ii) From 2012 to the end of the review year, no action has been taken by the council to settle the rent arrears of Rs 747,523 due from 16 beef shops, 02 mutton shops and 12 poultry shops.	That the recovery of this amount is in progress.	Steps should be taken to settle the arrears of lease
(iii) As of December 31 of the year under review, the amount of Rs 5,067,459 due from the public market and women's market lease was not paid for more than 02 years.	That the recovery of these extortions has been difficult due to the problems of identifying individuals.	Immediate steps should be taken to recover the shortfalls.
(c) During the year under review, trade license fee receivables from business entities and telecommunication tower amounted to Rs. 114,000 and Rs. 45,000 respectively, had not been collected by the council.	Action had been taken to inform to the business entities and Companies to collect the arrears.	Trade license fees for the business premises should be collected.

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| (d) | The amount of Rs 141,000 due from a person for the sale of skins of goats and cows for the year ended 2018 and 2019, had not been collected for more than 3 years. | He had informed to pay the part payment of arrears. | Action should be taken to collect the arrears of sale of skins of goats and cows. |
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### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit Observation	Comment of the Council	Recommendation
(a) No action has been taken by the Council to properly lease the land on which the building of Sri Lanka Telecom Company is located, which was acquired by the Council through the map number U 1695 through the gazette letter dated October 03, 1952 and No 10459 or to recover this land through legal action	Batticaloa District Government Agent informed that Legal action will be taken against this particular company if the complaint is answered.	Lease the land or take legal action against Sri Lanka telecom.
(b) In 2017, the issues pointed out by the Parliamentary Public Accounts Committee (COPA) such as the construction of unauthorized office building and the leasing of the cultural hall have not been taken by the Council for the past 06 years.	No answers	Action should be taken on the matters pointed out by the Parliamentary Public Accounts Committee (COPA).
(c) No action has been taken to settle the amount of Rs. 367,250 electricity bills due from 33 shopkeepers in the old market till the end of the year.	Steps will be taken to collect these balances from the owners.	Action should be taken to reduce the electricity bill.
(d) For a long time no action was taken to withdraw the amount of Rs 786,122 that was paid in advance to the Electricity Board	No answers	Action should be taken to dispose of the amount paid in advance to the Electricity Board.

### 3.2 Assets Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
(a) No action has been taken to transfer ownership of 02 vehicles in the name of other Ministries and Departments and to calculate their values.	Steps will be taken to transfer the title of the vehicles to the name of the council	Action should be taken to transfer ownership of vehicles to the name of the council.
(b) No action has been taken for the past 05 years to repair or auction the 05 vehicles belonging to the council which are in a long-standing state of disrepair.	Steps are being taken to dispose of vehicles that are beyond repair for a long time.	Action should be taken to repair or sell the damaged vehicles.

### 3.3 Human Resources Management

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
23 vacancies at the primary level and 10 vacancies at the secondary level, totaling 33 vacancies were not taken to fill up the services rendered by the council to the public in a weak manner.	Vacancy Information Monthly For officers are sent.	Steps should be taken to fill the vacancies.

## 4. Accountability and Good Governance

### 4.1 Environmental Issues

<b>Audit Observation</b>	<b>Comment of the Council</b>	<b>Recommendation</b>
As per the National Environment Act No. 47 of 1980, as amended by Act No. 56 of 1988, Act No. 53 of 2000, Act No. 01 of 20008 and Section “B” of Special Gazette No. 2264/18 dated 27 January 2022, Council had not been obtained the Environmental License for Slaughter house, solid waste center and 27 bakeries.	Action will be taken to obtain the Environmental License for Slaughter House, solid waste center and 27 bakeries.	Environmental License should be obtained as per the Act.