

Jaffna Municipal Council

Jaffna District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 29 March 2016 and the financial statements for the preceding year had been presented on 27 March 2015. The report of the Auditor General for the year under review was issued to the commissioner of the Council on 20 October 2016

1.2 Qualified Opinion

In my opinion except for the effect of the matters referred to in paragraph 1.3 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Jaffna Municipal Council as at 31 December 2015 and the financial result of its operations and cash flow for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Lands and buildings belongs to council had not been brought to the financial statement. As a result land and building account had been understated.
- (b) Pension contribution payable Rs 115,492,502 to the Director of pension had not been brought as payables in the financial statement in previous year. As a result accumulated fund had been overstated.

1.3.2 Receivables

The following details are given below.

- (a) Action had not been taken to settle the advance Rs 7,112,085 over 5 years.
- (b) Action had not been taken to settle salary loan due Rs 79,180 from the year 2011.
- (c) Action had not been taken to settle the loan due Rs 663,200 from 138 pensioners more than 5 years.

1.3.3 Lack of Evidence

Seven transactions valued at Rs 663,255 could not be vouched in audit due to non rendition of necessary information for audit.

1.3.4 Non Compliance with Laws, Rules and Regulations etc

The following instances of non-compliance with laws, rules and regulations were observed.

Reference to Laws, Rules and Regulations etc.

Non Compliances

(a) Municipal Council Ordinance of 1987
Sec. 42A of Chapter 252

(i) Action had not been taken regarding unauthorised 17 temporary shops and structures.

(ii) Action had not taken regarding the 19 unauthorised construction of telecommunication towers within the limits of the Council

(b) Financial Regulation of the Democialist Republic of Sri Lanka

(i) No. 381(3)

Security deposit had not been obtained from the officers who are responsible for dealing with cash.

(ii) No. 571

Action had not been taken on miscellaneous deposit Rs .4,353,847.

(iii) No. 849(2)

International Calls expenditure Rs 901,681 used by the Mayor and members of the Council had been charged from the municipal Councils fund.

2 Financial Review

2.1 Financial Results

According to the financial statements presented the excess of revenue over recurrent expenditure of the sabha for the year ended 31 December 2015 amounted to Rs. 144,760,154 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 157,166,226 for the preceding year. As a result revenue over recurrent expenditure had been decreased by Rs. 12,406,072 due to increase in expenditure

2.2 Working Capital

According to the financial statement presented working Capital of the council for the year under review was Rs 581,228,518 as compared with the working capital of the preceding year amounting to Rs 448,510,646. As a result working capital had been increased by Rs 132,717,872.

2.3 Revenue Management

2.3.1 Performance of Revenue collection

As per information furnished by the Commissioner, estimated revenue, actual revenue and the arrears of revenue in respect of the year under review are given below.

Item of Revenue	Estimated	2015		Accumulated arrears at 31 December
		Actual		
	Rs '000'	Rs '000'	Rs '000'	
Rates and taxes	58,819	64,899	69,807	
Lease Rent	62,504	90,306	-	
Licence fees	19,514	17,476	-	
Other Revenue	629,298	575,054	311,349	
Total	770,135	747,735	381,156	

2.3.2 Rates

The following observations are made.

- Schedule of defaulters had not been prepared by the Revenue Inspector.
- Action had not been taken by the Commissioner to recover the arrears of revenue amounting to Rs 69,807,431.

2.3.3 Lease and Rents

The following observations are made.

- Legal action had not been taken on the ownership of the 184 nos shops owned by the council were transferred to private parties.
- Rent amounting Rs 4,897,657 had not been recovered during the year under review.

2.3.4 Licence Fees

Licence fees Rs. 283,734 had not been recovered.

2.3.5 Stamp Fees

Stamp fees of Rs 262,435,940 due from the Registrar General of lands had not been received.

3 Operating Review

3.1 Management Inefficiencies

(a) Irregular appointments

The following observations are made.

- (i) Out of 07 electrician appointed in 2013. 06 appointments are made without required qualifications.
- (ii) A sum of Rs 419,215 had been made as salary to the veterinary surgeon appointed on contract basis without relevant approval.
- (iii) A sum of Rs 750,791 had been paid as salaries and expenditure on fuel to the Engineer appointed on contract basis during the unapproved period.
- (b) Surcharge Rs 387,173 had been paid to the employees trust fund due to delays in remittance in time. In this regard recovery had not been made from the officer responsible for the negligence.
- (c) A sum of Rs 56,500 had been made as incentive to the Board of survey contrary to Provincial Treasury Circular No. PT/01/2009 dated 28 January 2009.
- (d) Incentive Rs 168,200 had been paid to inspection of building approvals without delay.
- (e) Hire charges Rs 611,000 paid from council fund in 2012 contrary to the establishment code had not been settled up to now.
- (f) Losses had been incurred due to claim had not been obtained from the insurance corporation to the accident of vehicle occurred on 19 July 2014. Subsequently the vehicle had been repaid at a cost of Rs. 1,958,200 approximately.

4 Accountability and Good Governance

4.1 Budgetry Control

Differences from Rs. 331,430 to Rs. 40,799,053 had been observed between budgeted expenditure and actual expenditure due to improper preparation of budget.

4.2 Audit and Management Committee Meeting

Audit and management committee meeting had not been conducted.

4.3 Management of Assets

Unutilized Assests

19 vehicles owned by the Council had been parked at the Council without being utilized.

5 Systems and Controls

Special attention is needed on the following areas of controls.

- (a) Collection of Revenue
- (b) Fixed assets
- (c) Donations
- (d) Vehicle Utilization
- (e) Miscellaneous Deposits
- (f) Budget.