

Jaffna Municipal Council
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 31 March 2017 and the financial statements for the preceding year had been submitted to audit on 29 March 2016. The report of the Auditor General for the year under review was issued to the Commissioner of the Council on 29 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Jaffna Municipal Council as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Accounting policies to be adopted in preparing the financial statements of the Council had not been disclosed in the financial statements for the year under review.

1.3.2 Accounting Deficiencies

The following matters were observed.

- (a) Values of land and buildings belonging to the Council had not been evaluated and disclosed in final accounts.
- (b) Pension reserve had not been made for Rs. 115,492,502 payable to the Director General of Pensions in respect of pensions and pensionable benefits of officers of Local Government Service up to the end of the year under review and the amount payable had not been shown as liabilities in the final accounts.
- (c) Ownership of forty six vehicles issued to the Council as donation had not been transferred and brought to accounts, thus the value of the motor vehicles had been understated in the accounts.

1.3.3 Receivable Account

The following observations are made

- (a) Actions had not been taken in respect of advance of Rs. 7,112,085 for over 5 years.

- (b) Loans totalling Rs. 663,200 for over 5 years had not been recovered from 138 pensioners up to now.

1.3.4 Lack of Evidences for Audit

Transactions valued at Rs. 143,720 could not be satisfactorily vouched or accepted in audit due to lack of 03 required evidences.

1.3.5 Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Regulations	Non-compliances
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<p>(a) Chapter 252 of Municipal Councils Ordinance of the year 1987</p> <p>(i) Section 42(1)</p> <p>(ii) Section 42(a) of Chapter 252</p>	<p>Seventeen temporary stalls belonging to the Council had been converted to permanent stalls whilst action had not been taken by the Council relating to the unauthorized buildings.</p> <p>Action had not been taken in respect of 19 unauthorized buildings of telecommunication towers constructed under the purview of the Council.</p>
<p>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p>(i) Financial Regulation 381(3)</p> <p>(ii) Financial Regulation 571</p> <p>(iii) Financial Regulation 849 (2)</p>	<p>Security money had not been paid by the officers who were given authority to place the signatures in the cheques.</p> <p>Action had not been taken in respect of miscellaneous deposits of Rs. 4,453,860 older than two years.</p> <p>A sum of Rs. 40,655 had been paid from the fund of the Council for the international call charges.</p>
<p>(c) Circular no. 41/90 dated 10 October 1990 of the Ministry of Public Administration and Home Affairs</p>	<p>Fuel consumption for 36 vehicles of the Council had not been tested.</p>

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Council for the year ended 31 December 2016 had resulted in an excess of income over recurrent expenditure of Rs. 143,963,688 as compared with the corresponding excess of income over recurrent expenditure of Rs. 144,760,154 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 796,466 for the year under review.

2.2 Analytical Financial Review

According to the financial statements presented, financial results of the Council for the year under review had resulted in net surplus of Rs. 90,749,375 as compared with the corresponding net surplus of Rs. 134,707,047 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 43,957,672 for the year under review.

2.3 Working Capital Management

According to the financial statements presented, the working capital of the Council for the year under review had resulted in Rs. 669,060,896 as compared with the corresponding working capital of Rs. 581,228,518 for the preceding year, thus indicating an improvement in the working capital by Rs. 87,832,378 for the year under review.

2.4 Revenue Administration

2.4.1 Performance of Revenue Collection

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Commissioner are given below.

Item of Revenue	Estimated	2016	
		Actual	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	60,800	74,086	77,968
Lease Rents	90,292	78,669	5,932
License Fees	22,405	20,450	2,968
Other Revenue	684,253	634,230	362,073
Total	857,750	807,435	448,941

2.4.2 Assessment tax on Property

The following observations are made.

- (a) Schedule of defaulters in settlement of arrears of assessment tax on property for the particular year had not been prepared by the Revenue Inspector.
- (b) Arrears of assessment tax amounting to Rs. 77,968,600 had not been recovered up to now.

2.4.3 Leases and Rents

The following observations are made.

- (a) Ownership of one hundred and ninety six stalls belonging to the Council had been transferred traditionally without alteration of names legally.
- (b) Arrears of lease rent amounting to Rs. 1,232,634 had not been recovered up to now.
- (c) Rent of stalls amounting to Rs. 1,733,302 had not been recovered up to now.

2.4.4 License Fees

The following observations are made.

- (a) License fees of Rs. 283,734 for the market stalls had not been recovered.
- (b) Business license and business tax amounting to Rs. 671,961 had not been recovered up to now.

2.4.5 Stamp Fees

Stamp fees of Rs. 260,271,306 receivable from the Registrar General of Lands had not been recovered up to now.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Even though approved cadre of the Council was 1250, actual cadre was 1106, thus shortages and excesses in the cadre were 146 and 02 respectively.
- (b) (i) Action had been taken against the electricians who do not have educational qualifications. However, action had not been taken against the electricians who do not have professional qualifications.

- (ii) According to the 16.3 of the service minutes of the fire extinguisher, appointment had been granted with specifying the condition that the educational qualification should be completed within 3 years. However, out of them, 03 appointees had not completed specified educational qualification up to now.
- (c) Cash shortage of Rs. 3,710 and returned cheques of Rs. 21,222 relating to the electrical section had been included in the advance account continuously for over five years without being taken action.
- (d) Deposits should be made in the authorized banks. However, It was observed that a sum of Rs. 21,653,627 had been deposited in the private bank (Commercial Bank).
- (e)
 - (i) There were shortages in 275 categories of goods and excesses in 76 categories of goods in the board of survey report of the work site section.
 - (ii) It was mentioned in the board of survey report that 1741 books of the public library had been stolen. However, action had not been taken in this connection.

3.2 Operating Inefficiencies

The following observations are made.

- (i) Reserves of Rs. 132,825,506 had not been utilized.
- (ii) The funds of the Urban Development Authority amounting to Rs. 9,060,635 had not been utilized.

3.3 Transactions in Contentious Nature

The following observations are made.

- (a) A sum of Rs. 611,000 paid from the funds of the Council for the utilization of the vehicle on the basis of rent in the year 2012 had not been settled up to now.
- (b) Required approvals had not been obtained from the following organizations for constructing shopping complex by the private persons in the lands belonging to the Municipal Council for the work plan of the construction of shopping building complex at Kasthuriyar road.
 - (i) Relevant Ministry
 - (ii) Jaffna Municipal Council
 - (iii) Tourism Sector
 - (iv) Central Environmental Authority
 - (v) Urban Development Authority

3.4 Underutilized Assets

Seventeen vehicles of the Sabha had remained idle.

3.5 Identified Losses

The following observations are made.

- (i) Action had not been taken in respect of accident of pickup vehicle in terms of Chapter XLVIII (1) of Establishment Code.
- (ii) A sum of Rs. 2,934,429 had been stolen by a Management Assistant of the Municipal Council in the year 2016. Out of that amount, a sum of Rs. 320,000 had only been recovered. The balance amount of Rs. 2,614,429 had not been recovered from the relevant officer.

3.6 Contact Administration

The following observations are made.

- (a) The work of the stage – I valued at Rs. 1,371,756 completed by the Municipal Council had not been certified.
- (b) The quantity of work carried out at stage – II and value thereof Rs. 5,096,340 could not be certified in the audit.
- (c) A sum of Rs. 399,349 had been overpaid in respect of the Kaakaitheevu wastewater treatment work valued at Rs. 14,440,804 carried out by the contractor as the amount had been paid exceeding the work completed in this regard.
- (d) A sum of Rs. 303,488 had been overpaid in respect of the stage III of the of the construction work relating to the fire brigade building complex of the Municipal Council valued at Rs. 5,096,340 carried out by the contractor as the amount had been paid exceeding the work completed in this regard.

3.7 Delays in Project

Four capital work plans valued at Rs. 9,417,842 to be executed in the year under review had not been completed up to now.

4. Good Governance and Accountability

4.1 Presentation of Financial Statements

The cash flow statement for the financial year had not been prepared by the Council and submitted to the audit.

4.2 Budgetary Control

Expenditure Structure

Variances ranging from Rs. 41,608 to Rs. 50,206,032 between the budgeted expenditure and actual expenditure were observed in audit.

5. Systems and Controls

Special attention is needed on the following areas.

- (a) Collection of revenue
- (b) Fixed Assets
- (c) Accounting
- (d) Personnel
- (e) Donations
- (f) Vehicle Utilization
- (g) Miscellaneous deposits
- (h) Budget