

Chavakachcheri Urban 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 23 March 2017 and the financial statements for the preceding year had been submitted to audit on 24 March 2016. The report of the Auditor General for the year under review was issued to the Secretary of the Council on 31 August 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 Chavakachcheri Urban 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) Even though operations of electricity had been handed over to the Ceylon Electricity Board, the stock of Rs. 241,156 of electricity store had not been deducted from the stock of store. As such, stock of store had been overstated.
- (b) The ownership of 13 vehicles valued at Rs. 16,375,000 had not been transferred to the Council. However, values thereon had been evaluated and brought to accounts, thus the value of the motor vehicles had been overstated by Rs. 16,375,000 in the accounts.
- (c) Recovered amount of Rs. 436,050 had not been transferred to the income, thus income had been understated.

1.3.3 Non-maintenance of Registers and Books

Register of tax on land sales had not been maintained by the Council.

1.3.4 Receivable Accounts

The following observations are observed.

- (a) Action had not been taken to recover arrears of staff loan amounting to Rs. 105,640.
- (b) Retention money of Rs. 838,802 had not been paid to the relevant contractor.

1.3.5 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliances
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Urban Councils Ordinance Section 44(2)	Schedules of roads belonging to the Council had not been prepared and published in the Government Gazette.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Council for the year under review had resulted in an excess of income over recurrent expenditure of Rs. 38,737,070 as compared with the corresponding excess of income over recurrent expenditure of Rs. 32,567,828 for the preceding year, thus indicating an improvement in the financial results by Rs. 6,169,242 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. 4,906,330 as compared with the corresponding net surplus of Rs. 25,393,636 for the preceding year, thus indicating a deterioration in the closing financial results by Rs. 20,487,306 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. 105,438,065 as compared with the corresponding working capital of Rs. 81,331,735 for the preceding year, thus indicating an improvement in the working capital by Rs. 24,106,330 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 Secretary are given below.

Item of Revenue	Estimated	2016	
		Actual	Cumulative Arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Assessment Taxes on Property	6,551	7,491	10,218
Lease Rents	25,925	23,903	1,184
License Fees	768	805	74
Other Revenue	63,662	66,775	59,638
Total	96,906	98,974	71,114

2.4.2 Assessment tax on Property

Assessment tax on property of Rs. 8,304,975 had not been recovered up to now.

2.4.3 Lease and Rent

Rent of Rs. 63,700 had remained as arrears up to now without being recovered by the Council.

2.4.4 License Fees

License fees of Rs. 74,400 had not been recovered by the Council up to now.

2.4.5 Court Fines and Stamp Fees

The following observations are made.

- (a) Court fines of Rs. 2,797,000 for the year under review had not been recovered by the Council up to now.

- (b) Stamp fees of Rs. 48,026,181 had not been recovered from the Registrar General of Lands.

2.5 Surcharges

The following observations are made.

- (a) Contribution of Employees Trust Fund had not been remitted within the intended period. As such, a sum of Rs. 72,039 had been paid as fine. The fine incurred by the careless of the employees had not been recovered from the relevant officer.
- (b) Contribution of employee who had not obtained Employees Trust Fund number amounting to Rs. 49,026 had not been paid to the relevant officer. It had been transferred to the income.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Salary payables of Rs. 111,734 had been written off without being paid to the relevant officers.
- (b) Deposits of Urban Development Authority amounting to Rs. 1,271,910 had not been utilized for the intended purposes.
- (c) Even though approved cadre of the Council was 107, actual cadre was 93, thus shortages and excesses in the cadre were 16 and 02 respectively.

3.2 Underutilized Assets

Two vehicles of the Council had remained idle.

3.3 Waste Management

Solid waste center had been constructed under the Pilisaruru project. However, wastes had not been subjected to recycling.

4. Good Governance and Accountability

Budgetary Control

Expenditure Structure

Variances ranging from Rs. 36,068 to Rs. 9,849,354 between the budgeted expenditure and actual expenditure were observed in audit.