

Valvettithurai 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 20 March 2017 and the financial statements for the preceding year had been submitted to audit on 28 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 Valvettithurai 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) The ownership of six vehicles valued at Rs. 1,640,500 issued to the Council as donation had not been transferred to the Council. However, values thereon had been brought to accounts, thus the value of the motor vehicles had been overstated in the accounts.
- (b) Value of two vehicles issued as donation had not been brought to financial statements, thus the value of the vehicles had been understated.

1.3.3 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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(a) Urban Council Rule Rule 54 (2) of Chapter III	Assessment tax on property had not been recovered in due time
(b) Urban Councils Ordinance Section 44(2)	Schedules of roads and lanes belonging to the Council had not been published in the Government Gazette within 3 years since the establishment of the Urban Council.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	Action had not been taken in respect of lapsed deposits of Rs. 15,890 in terms of Financial Regulation

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. 19,831,328 as compared with the corresponding excess of income over recurrent expenditure of Rs. 8,899,309 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 10,932,019 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. 158,109 as compared with the corresponding net surplus of Rs. 34,036 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 124,073 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. 90,996,201 as compared with the corresponding working capital of Rs. 76,242,094 for the preceding year, thus indicating an improvement in the working capital by Rs. 14,754,107 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
Rates and Taxes	800	767	4,782
Lease Rents	4,680	14,159	-
License Fees	835	703	-
Other Revenue	47,476	46,650	27,388
Total	53,791	62,279	32,170

2.4.2 Assessment tax on Property

The following observations are made.

- Reassessment had not been carried out for the properties, thus recovery of assessment tax on property had been decreased.
- Assessment tax as at the end of the the year under review amounting to Rs. 4,782,089 had remained as arrears.

2.4.3 Rent

Eleven shops and a open hall of the market building complex had not been rented out, thus revenue loss had incurred to the Urban Council.

2.4.4 Other Revenue

The following observations are made.

- Cemetery tax had not been recovered for 05 cemeteries of the Council.
- Stamp fees receivable of Rs. 14,382,845 had not been recovered from the Registrar General of Lands.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) A land had been received on the basis of lease rent for constructing a park according to the decision of the Council dated 28 June 2013. However, such park had not been constructed up to now and a sum of Rs. 239,040 had been paid as lease rent. It was treated as a fruitless expenditure.
- (b) Approved cadre of the Council was 84. However, 81 staffs had been deployed in service. Accordingly, shortages and excesses in the cadre were 03 and 02 respectively.
- (c) At least 04 Audit and Management Committee meetings should be conducted for a year. However, 03 Audit and Management Committee meetings had only been held during the year under review.
- (d) According to the inventory register, balance of the trailer had been shown as 08. However, there were only 07 trailers physically. Action had not been taken in respect of shortages.

3.2 Underutilized Assets

Three vehicles of the Council had remained idle.

3.3 Contract Administration

Three work plans valued at Rs. 7,500,000 indicated in the budget had been abandoned without being completed.

3.4 Waste Management

Wastes collected had been burnt in open place without properly.

4. Good Governance and Accountability

4.1 Budgetary Control

Expenditure Structure

Variances ranging from Rs. 1,849 to Rs. 3,197,565 between the budgeted expenditure and actual expenditure were observed in audit.

5. Systems and Controls

Special attention is needed on the following matters.

- (a) Utilization of vehicle
- (b) Budget
- (c) Collection of income
- (d) Sundry debtors
- (e) Register of electrical goods
- (f) Stock register
- (g) Register of tax on land sales