

Chavakachcheri Urban Council
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 16 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 28 September 2018.

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 2017 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 adopted in preparing the financial statements had not been disclosed in the financial statements.

1.3.2 Accounting Deficiencies

Advance of stall rent amounting to Rs. 92,925 had been set off against arrears of stall rent account, thus arrears of rent had been understated by Rs. 92,925 in the financial statements for the year under review.

1.3.3 Accounts Receivable and Payable

Accounts Receivable

No meaningful actions had been taken by the Council for the last 06 years to recover arrears of staff loan totalling Rs. 96,668 dues from five officers who were deceased and vacated their post.

1.3.4 Lack of Evidence for Audit

Non-presentation of Information to Audit

Five account items totalling Rs. 6,072,025 could not be satisfactorily vouched or accepted in audit due to non-submission of such account items for physical verification.

1.3.5 Non-compliances

----- Non-compliances with Laws, Rules, Regulations and Management Decisions -----

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliances

(a) Urban Councils Ordinance

(i) No. 6(g) of Section 157 of Part VI

No actions had been taken by the Revenue Inspector in respect of fifty-five unapproved advertisements.

(ii) No. 9 of Section 157 of Part VI

The cleansing and filling up of places used for the collection of wastewater and sewerages for good health and happiness opportunities to public had not been made.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 880

No actions had been taken to obtain employee security deposit from an officer.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs. 37,563,975 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 38,737,070.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	7,204,000	-	7,125,455	11,075,392	6,551,200	-	7,490,826	10,217,661
(ii) Rentals	23,991,200	-	26,409,694	870,290	25,925,200	-	23,903,332	1,153,178
(iii) License Fees	783,000	-	643,160	19,550	768,000	-	804,680	74,400
(iv) Other Revenue	17,762,400	-	29,906,367	3,889,975	15,470,500	-	25,457,582	32,303,012
	49,740,600	-	64,084,676	15,855,207	48,714,900	-	57,656,420	43,748,251

2.2.2 Rates and Taxes

No meaningful actions had been taken by the Council to recover arrears of rates and taxes totalling Rs. 9,447,715 for the last 01 year to 17 years.

2.2.3 Rentals

No meaningful actions had been taken by the Council to recover arrears of rent totalling Rs. 486,229 for the last 01 year to 12 years.

2.2.4 License Fess

No meaningful actions had been taken by the Council to recover arrears of license fees totalling Rs. 5,300 for the last 02 year to 17 years.

2.2.5 Court Fines and Stamp Fees

Court fines of Rs. 4,307,233 and stamp fees of Rs. 20,190,277 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

3. Operating Review

3.1 Performance

The following matters were observed.

(a) Abandoned Activities

Two work schemes valued at Rs. 573,531 had completely been abandoned in the year under review without being commenced.

(b) Sustainable Development Goal

According to the proposal of His Excellency President, it had been declared the year 2017 as poverty alleviation year in order to release public from poverty. However, a

sum of Rs. 200,000 allocated by the Council had not been utilized for intended purpose.

3.2 Human Resources Management

It was observed in audit that the Council had not recruited and deployed human resources properly, thus works to be completed by 19 human resources had been delayed.

3.3 Operating Inefficiencies

Contract period of twenty-six stalls was over. However, no meaningful actions had been taken to make recontract in this regard for the last 01 year to 08 years

3.4 Assets Management

3.4.1 Failure to carry out Maintenance and Repairing

No meaningful actions had been taken by the Council to repair and utilize three damaged vehicles belonging to the Council.

3.4.2 Failure to handed over Assets

Two vehicles being used by the Council had not been owned by the Council.

3.4.3 Underutilized Assets

The following matters were observed.

- (a) Two vehicles belonging to the Council had remained idle without being utilized. However, no meaningful actions had been taken to utilize such vehicles.
- (b) A land obtained from the Commissioner of Land of Northern Province for constructing a children park at Kachchai sea shore had not been utilized for intended purpose for the last two years.

4. Accountability and Good Governance

Budgetary Control

Variances ranging from Rs. 78,545 to Rs. 10,923,997 or from 1 per cent to 21 per cent between the budgeted revenue and actual revenue and from Rs. 52,277 to Rs. 10,707,269 or 05 per cent to 18 per cent between the budgeted expenditure and actual expenditure were observed.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

Systems

Accounting

Deficiencies

Failure to maintain register of tax on land sales and register of computer maintenance.