

Vavuniya Urban Council
Vavuniya District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to Audit on 31 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman of the Council on 22 August 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 Vavuniya 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 Deficiencies

The following matters were observed.

- (a) Lease rent revenue totalling Rs. 125,000 receivable for renting out a Children Park to an outside institution had not been brought to financial statements for the last 05 years, thus accumulated fund of the year under review had been understated.
- (b) Value of wastewater treatment system constructed at a cost of Rs. 40 million with assistant of European Union under district development programme at tank area in Vavuniya and handed over to the Council on 17 May 2017 had not been brought to financial statements of the year under review, thus assets had been understated.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

The following matters were observed.

- (i) No meaningful actions had been taken by the Council to recover arrears of staff loan totalling Rs. 489,980 due from 05 officers who were transferred from the Council for the last 01 year to 02 years.
- (ii) No meaningful actions had been taken by the Council to recover arrears of staff loan amounting to Rs. 28,795 due from an officer who was dismissed by the Council for the last 03 years.

(b) Accounts Payable

Five outstanding amounts totalling Rs. 10,139,375 had been shown in the financial statements for the last 01 year to 04 years without being settled. However, reasons for it had not been made available to audit.

1.3.3 Lack of Documentary Evidence for Audit

Non-presentation of Information to Audit

Eleven transactions totalling Rs. 232.06 million had not been satisfactorily vouched or accepted in audit due to non-submission of assets physically and technical reports.

1.3.4 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 -----	Value -----	Non-compliances -----
	Rs.	
(a) Urban Councils Ordinance		
(i) 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.
(ii) Section 54 (1) of Chapter III		Although the schedule in respect of rates and taxes should be handed over to the Secretary before 15 th November and payments should be made before 15 th December, it had not been made and completed accordingly.
(iii) Section 54 (2) of Chapter III		Rates and taxes had not been recovered in due times.
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 316(2)		Registers in respect of daily cash balances and goods kept in the safe custody had not been maintained.

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|------|--|---------|---|
| (ii) | Financial Regulation 571(2) and (3) | 740,043 | No actions had been taken in respect of 10 lapsed deposits for the last two years. |
| (c) | Circular No. 30/2016 dated 29 December 2016 of the Ministry of Public Administration and Management | | Fuel consumption had not been tested for 58 vehicles of the Council for the period of one year. |
| (d) | Urban Development Authority Act No. 04 of the year 1982 | | No meaningful action had been taken by the Council to remove unauthorized construction works in respect of 78 unauthorized buildings identified at 14 places at physical verification carried out within the authority area of the Urban Council. |
| (e) | Urban Development Authority Circular No. DEC/01 dated 20 March 1985 and No. 21 dated 11 August 2008 | | Payment of Rs. 31,000 had been made to Public Health Inspector for participating urban development meeting contrary to the circular. |

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. 37,569,664 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 28,523,811.

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	23,262,046	29,895,123	26,189,258	42,649,494	23,162,046	18,964,090	25,983,539	46,355,358
(ii) Rentals	34,141,469	36,494,175	37,091,229	5,434,906	33,431,949	39,990,685	42,185,808	4,837,853
(iii) License Fees	2,515,000	1,946,555	1,946,555	-	2,263,500	1,998,937	1,998,937	-
(iv) Other Revenue	126,804,000	110,948,701	126,874,659	28,191,591	128,871,003	98,151,117	115,441,740	22,557,730

2.2.2 Rates and Taxes

No meaningful actions had been taken by the Council to recover arrears of rates and entertainment taxes totalling Rs. 42.5 million for the last 01 year to 05 years.

2.2.3 Rentals

The following matters were observed.

- No meaningful actions had been taken by the Council to recover rents of Rs. 5,434,907 to be recovered for the last 01 year to 05 years.
- Contracts of rent had not been made for 58 rented out stalls belonging to the Council for the last 01 year to 47 years.
- The period ranging from 01 year to 33 years had been elapsed after contract period of rent had been ended for 315 rented out stalls and lands belonging to the Council. However, those had been used without being entered recontract.
- One hundred and eighteen stalls belonging to the Council had been rented out in many years ago. It was observed in audit that, out of that, 77 stalls had been sold to other parties by the contractors without being obtained approval of the Council.

2.2.4 Court Fines and Stamp Fees

Court fines of Rs. 12,064,491 and stamp fees of Rs. 16,127,100 had to be received continuously from the Chief Secretary of the Northern Provincial Council as at 31 December 2017.

2.2.5 Overpayment

Overpayments totalling Rs. 1,149,955 had been made to the contractors in respect of 11 contract works of road reconstruction and building construction made by using the fund of the Council in the year under review.

3. Operating Review

3.1 Performance

Solid Waste Management

The following matters were observed.

- (i) Solid wastes had been collected in dumping place without being segregated.
- (ii) The activities of compost and recycling had not been implemented for solid wastes.

3.2 Identified Losses

One hundred and five valuable books had been provided to users for over 8 years. However, such books had not been returned by them, thus a loss was observed in this regard.

3.3 Management Inefficiencies

The following matters were observed.

- (a) A sum of Rs. 1,079,891 had been spent for producing fertilizer from solid wastes in the year under review. However, a sum of Rs. 147,210 had only been obtained from the sale of fertilizer in the year under review. it was 14 per cent of waste fertilizer production expenditure for the year under review.
- (b) Ten valuable books had been provided to 10 officers from the reference section of the library of the Council. However, such books had not been obtained again for over one year.
- (c) No actions had been taken by the Council in the year under review to issue compliance certificates to 160 parties out of parties who were given building approval.
- (d) No meaningful actions had been taken by the Council to enter a contract by considering numbers and height of telecommunication towers constructed by 4 telecommunication institutions situated under the purview of the Urban Council and recover charges from such institutions up to now.

3.4 Human Resources Management

Information on approved cadre and actual cadre of the Council as at 31 December 2017 are given below.

Category of Cadre	Approved	Actual	Vacancies
Senior Level	03	01	02
Secondary Level	51	43	08
Primary Level	129	110	19
	183	154	29

3.5 Unutilized Deposits

The following matters were observed.

- (a) A sum of Rs. 500,000 issued to the Council by a non-government organization for painting of compound wall and buildings of old bus stand in Vavuniya had been retained in general deposit account for over the last one year without being utilized for intended purpose.
- (b) Library building fund of Rs. 745,225 had been retained in general deposit account for over the last 04 years without being utilized for intended purpose.

3.6 Contract Administration

The following matters were observed.

- (a) Six works valued at Rs. 12,480,360 had been completed and paid by using the fund of the Council in the year under review. However, failure to lay grasses properly on the floor, road sides remained without leveling as failure to fill stones to both sides of the road properly, cracks appeared on roads, gravel used contrary to the approved soil categories, etc. were observed in above mentioned works.
- (b) A sum of Rs. 107,957 had been paid to the contractor by the fund of the Council for constructing souvenir stone to the Marakkaarampalai inner first road in the year under review. However, it had not been made available for physical verification.

3.7 Assets Management

3.7.1 Idle and Underutilized Assets

Goods valued at Rs. 1,915,830 had remained idle at store of the Council for over 02 years without being utilized.

3.7.2 Failure to carry out Maintenance and Repairs

Thirteen vehicles belonging to the Council had remained over two years without maintaining. However, reasons for it had not been made available to audit.

3.7.3 Failure to hand over Assets

Ownership of 18 vehicles obtained as donation had not been transferred to the Council.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from an adverse amount of Rs. 568,445 to a favourable amount of Rs. 12,485,782 or from 22.60 per cent to 51.10 per cent between the budgeted revenue and actual revenue and from an adverse amount of Rs. 2,768,630 to a favourable amount of Rs. 13,265,166 or from 33.39 per cent to 15.47 per cent between the budgeted expenditure and actual expenditure were observed.

5. Systems and Controls

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

Systems	Deficiencies
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(a) Fixed Assets	(i) Failure to enter. (ii) Failure to establish protection.
(b) Stocks	Improper stock control.
(c) Personnel Management	Failure to fill vacancies.
(d) Contracts	Adequate supervision of technical officers had not been made available.