

Jaffna Municipal Council
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to Audit on 27 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 June 2019 and 31 October 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Policies

Audit Observation	Recommendation	Comment of the Accounting Officer
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Accounting policies adopted in preparing the financial statements had not been disclosed by the Council in the financial statements.	Accounting policies should be disclosed in the financial statements.	Accounting policies will be disclosed in financial statements in future periods.

(b) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(i) Value of 51 land and buildings belonging to the Sabha had not been assessed and disclosed in the financial statements.	Values of land and buildings should be assessed and disclosed in the accounts.	Respective actions will be taken in respect of values of the properties.

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| (ii) | A sum of Rs. 46,000,000 had to be paid to the Director of Pensions for pensions and retirement benefits of the officers of the Local Government Service up to the year under review. However, pension reserve had been made for that amount and payments to be paid had not been shown as liabilities. | Liabilities to be paid to the Director of Pensions should be shown in the accounts. | Respective actions will be taken. |
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(c) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Difference of Rs. 2,089,342 was incurred between the balance shown in the final accounts and the balance shown in the register in the year under review.	Action should be taken to rectify the differences of relevant balances.	Action will be taken to avoid these errors in future periods.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliances -----	Recommendations -----	Comments of the Accounting Officer -----
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(a) Sub section 16(2) of the National Audit Act No. 19 of 2018	An annual performance report had not been presented along with the financial statements.	Action should be taken as per instructions of said Act.	Not replied.
(b) Section 42(a) of Municipal Council Ordinance of 1987	No action had been taken in respect of unauthorized building construction of 11 telecommunication towers under the purview of the Council.	Action should be taken to obtain relevant approval for 11 unauthorized telecommunication towers.	Action had been taken to recover from 11 telecommunication Institutions.

- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
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| (i) | Financial Regulation 371 | Advances of Rs, 7,112,085 had not been settled by the Council for over 05 years. | Action should be taken as per financial regulations. | Action will be taken to settle advances of Rs, 7,112,085. |
| (ii) | Financial Regulation 571 | No actions had been taken in respect of miscellaneous deposits of Rs. 3,301,931 for over two years. | Action should be taken as per financial regulations. | Such lapsed deposits had been credited to revenue. |
- (d) Treasury Circular No. IAI/2002/02 of 28 November 2008
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| A separate register had not been maintained for recording computer and computer accessories and computer software | Respective action should be taken as per treasury circular. | Action will be taken to maintain register in future periods. |
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- (e) Northern Province Finance Circular No. 30/2016 of 29 December 2016
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| Fuel consumption had not been tested for 55 vehicles of the Council for over the last one year. | Respective action should be taken as per circular. | Action had been taken to test fuel consumption. |
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1.4.2 Noncompliance with Tax Requirements

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) According to the matters stated in the section 20 of Value Added Tax Act No. 14 of 2002 issued by the Department of Inland Revenue and Procurement Guideline 5.4.11, a sum of Rs. 22,116,905 had been paid to the suppliers as Value Added Tax in the year under review. However, "Receipt of Value Added Tax" had not been received and informed	Action should be taken in terms of relevant act.	Respective action will be taken in future periods.

to the Department of Inland Revenue and Auditor General.

- (b) In terms of Section 247 E of Municipal Council Act No. 252 of the year 1987, sales tax equivalent to 1% should be recovered on sales of certain lands. However, no action had been taken by the Council to recover them. Action should be taken in terms of Municipal Council Act. Respective action will be taken.

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 2018 amounted to Rs. 158,007,827 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 231,451,523.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected 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	2018				2017			
	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.
Rates and Taxes	73,735,000	-	75,047,823	84,952,309	74,677,000	-	77,086,379	78,740,943
Rentals	222,235,000	-	83,775,696	-	103,932,000	-	101,762,393	-
License Fees	16,940,000	-	20,320,727	-	21,266,000	-	19,361,199	-
Other Revenue	787,090,000	-	693,738,951	247,703,448	665,125,000	-	683,780,574	260,474,339
	1,100,000,000	-	872,883,197	332,655,757	865,000,000	-	881,990,545	339,215,282

❖ Billed revenue had not been presented to audit.

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
----- Collected revenue for the year 2017 was Rs. 881,990,545. However, collected revenue for the year 2018 was decreased as Rs. 872,883,197, thus performance of revenue collection for the year 2018 had been decreased by Rs. 9,107,348 as compared with the year 2017.	----- Revenue which had not been billed should be verified.	----- Revenue had been decreased due to failure to lease out stalls.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
----- The Municipal Council should issue 37,285 “K” forms for recovering rates and taxes. However, 38 per cent or 14,023 “K” forms only had been issued. Thus, action had not been taken to recover rates and taxes totally. Hence, rates and taxes of Rs. 84,952,309 had been receivable.	----- Action should be taken to recover rates and taxes of the properties.	----- Owners of the lands were in foreign and could not be identified, thus “K” forms could not be issued totally.

2.2.4 Rentals

Audit Observation	Recommendation	Comment of the Accounting Officer
----- (a) Arrears of stall rents including 10 stalls situated at market shopping complex totalling Rs. 4,866,365 had not been recovered in the year under review.	----- Action should be taken by the Council to recover arrears of rents.	----- Out of said arrears, action had been taken to recover a sum of Rs. 2,594,672.
----- (b) Arrears of lease totalling Rs. 7,509,451 had not been recovered up to now.	----- Action should be taken by the Council to recover arrears of lease.	----- Action had been taken to recover arrears.

2.2.5 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) Market stall license of Rs. 107,500 had remained as arrears in the year under review. However, no action had been taken to recover it.	Action should be taken to recover arrears.	Action is being taken to recover arrears.
(b) No action had been taken to recover arrears of trade license and trade tax of the year under review totalling Rs. 752,757 up to now.	Action should be taken to recover arrears.	Action is being taken to recover arrears.

2.2.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
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Court fines and stamp fees totalling Rs. 8,137,500 and Rs. 94,406,730 respectively had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2018.	Action should be taken to recover arrears.	Action had been taken to recover balance from Provincial Treasury.

3. Operating Review

3.1 Performance

The matters observed in respect of execution of activities that should be executed under Section 4 of the Municipal Councils Ordinance such as regularize and control over the matters of public health, public utility services and public thoroughfares and the comfort, convenience and welfare of the people are given below.

(a) **By-Laws**

Audit Observation

By-laws had been enacted for 30 main functions in terms of section 272 of the Municipal Council Ordinance. But all functions had not been implemented.

Recommendation

Meaningful actions should be taken to enact by-laws for implementing all said functions.

Comment of the Accounting Officer

Action is being taken to carry out functions.

(b) **Action Plan**

Audit Observation

An annual action plan had not been prepared in respect of 30 activities to be implemented by the Council.

Recommendation

An annual action plan should be prepared as per by-laws.

Comment of the Accounting Officer

Action plan will be prepared properly.

(c) **Delays in Performance of Activities**

Audit Observation

Six works being carried out by the Council had been commenced with delay.

Recommendation

Action should be taken to complete work schemes which are implemented in due period.

Comment of the Accounting Officer

Respective actions had been taken.

(d) **Solid Waste Management**

Audit Observations

(i) Covered vehicles had not been used for collecting solid wastes and garbage had been collected in open vehicles, thus there were difficulties to the public

Recommendations

Action should be taken to use covered vehicles and prevent health issues.

Comments of the Accounting Officer

Action will be taken properly.

when they travel on roads.

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| (ii) | Solid wastes were collected by the Sabha without being segregated as per national policies. | Solid wastes should be segregated and collected. | Actions are being taken to implement. |
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(e) Environmental Issues

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No actions had been taken to spray mosquito oil for preventing spread of mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes.	Respective actions should be taken for preventing spread of mosquitos.	Action had been taken to prevent spreading mosquitos.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) Vehicle No. WPPB - 9029 being used by the Municipal Council had met accident on 19 June 2014. However, action had not been taken in this regard in terms of Chapter XLVIII (1) of Part 2 of the Establishment Code and a sum of Rs. 1,958,200 had been spent by the fund of the Council and repaired it.	Respective action should be taken in respect of vehicle accident.	Inquiry in respect of accident is being held again.
(b) A sum of Rs. 2,934,429 had been obtained by the Management Assistant of the Municipal Council fraudulently in the year 2016. Out of this amount, a sum of Rs. 320,000 had only been returned. No action had been	Final action should be taken in respect of money obtained by the Management Assistant fraudulently.	A case is being held against said person at District Court.

taken to recover balance amount of Rs. 2,614,429 up to now in terms of financial regulation 104.

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| (c) | Reports to be prepared by the Local Government Assistant had not been presented in due periods, thus main functions of the Municipal Council had not been implemented. | The reports to be prepared by the Local Government Assistant should be presented in due periods. | Proper instruction had been given to Local Government Assistant. |
| (d) | Payments totalling Rs. 87,121,179 to be paid to sundry credit supplier had not been settled by the Council. | Payments for sundry creditors should be settled | Action had been taken to settle sundry credit suppliers. |
| (e) | Two hundred and thirteen stalls belonging to the Council had been leased out by entering contracts with persons. Contrary to matters mentioned in the section 14 and 23 of the lease contracts, stall had been rented out to others by lessee. At the end of the contract period, lease contract had been renewed without being calling tender. It shows that collection of lease revenue was inefficient. | Lease contracts of stalls should be renewed in due periods. | Respective actions had been taken. |
| (f) | Sums of Rs. 94,611,105 and Rs. 124,585,225 made for Public fund reserve and public library fund respectively in the year under review had not been used for any purposes. | Relevant reserves should be used for intended purposes. | These are investment of the Council and they will be used for intended purpose. |
| (g) | There was a Urban Development Authority fund of Rs. 15,915,143 and reserve had been increased by Rs. 1,983,463 in this year. However, it had not been used for purposes. | Relevant reserves should be used for intended purposes. | These are investment of the Council and they will be used for intended purpose. |

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) The Council had not recruited and deployed human resources properly. As a result, works to be completed by such 189 human resources had been delayed.	Action should be taken to fill vacancies of the cadre.	Actions are being taken to fill vacancies of the cadre.
(b) Out of scheduled staff of the Municipal Council, 25 staffs had been worked at Municipal Council without being subjected to annual transfer for 07 – 30 years. It shows that human resource management was inefficient.	Transfers should be made as per proper procedures.	Respective actions are being taken.
(c) Ten sanitary labourers had been appointed by the Municipal Council without being obtained approval from Department of management Services.	Approval should be obtained for said post respectively.	It had been forwarded to the Department of Management Services for creating excess cadre.
(d) Query No. NN/JF/B/MC/2015/11 had been forwarded in respect of appointment of electrician – 2013 on 30 September 2016. However, no actions had been taken in respect of 04 electricians who don't have professional qualifications even though action had been taken against 03 electricians.	Respective action should be taken in respect of said appointments.	Respective action is being taken.

3.4 Assets Management

3.4.1 Failure in carrying out Maintenance and Repairing

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Ten vehicles had remained in damaged condition at vehicle park of in the Sabha without being repaired,	Action should be taken to repair vehicles.	Respective action is being taken.
(b) Tractors had been obtained on the basis of rental to collect wastes and a sum of Rs. 12,410,165 had been paid. Meanwhile, 12 tractors had remained in damaged condition. It had been obtained on rental basis without being repaired and used them.	Tractors belonging to the Municipal Council should be repaired and used.	Tractors are being repaired, thus use of rented tractors will be reduced.

3.5 Uneconomic Transactions

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) A laptop valued at Rs. 628,000 had been purchased by using the fund of the Municipal Council for the necessity of the Mayer, this purchase had been done contrary to the matters mentioned in the Section 2.3.2 and 6.3.3(b) of the Procurement Guideline 2006.	The necessity of the computer should be certified.	It should be maintained the honorableness of the Mayer and request of him should be fulfilled, thus the Council had decided.
(b) There were 334 permanent sanitary labourers, 141 substitute sanitary labourers and 406 office employees in the Municipal Council for Nallur environmental	Sanitary labourers of the Municipal Council should be used for the period of Nallur temple festival without appointing	Temporary appointment had been given with the decision of the Council.

cleaning services during the period of Nallur temple festival. However, 40 sanitary labourers had been appointed and a sum of Rs. 1,620,000 had been paid. There was a situation to deploy said employees and execute the environmental cleaning services during the festival period. It had not been done accordingly, thus it was an uneconomic payment.

sanitary labourers on contract basis.

(c) Two thousand two hundred and eight street lamps valued at Rs. 35,000,000 had been purchased by using Provincial Specific Development Grant Fund contrary to the matters mentioned in the Section 6.2.2 of the Procurement Guideline and Section 4.2 of the Provincial Procurement Guideline, Further, supplier had been selected without passing procurement decision. In addition to that, 213 new street lamps had been removed when fixing the said lamps, thus a sum of Rs. 376,695 was an uneconomic payment.

Procurement procedures should be followed for said purchase.

In terms of constitution of Municipal Council, decision of procurement should be approved by the finance committee. In terms of Section 4.2.8 of the Provincial Procurement Guideline, other Department officer had not been appointed. Action had been taken to fix removed street lamps at another place.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation

A procurement plan for the year under review should be prepared by the Council for the activities

Recommendation

A procurement plan should be prepared as per an approved

Comment of the Accounting Officer

A procurement plan is being prepared for suppliers and services and

of supplies and services and contact works. However, a procurement plan had not been prepared by the Council for contract works and services.

format.

contract works separately.

3.6.2 Supplies and Services

Audit Observation

Recommendation

Comment of the Accounting Officer

Six trailers valued at Rs. 2,580,000 had been purchased by Provincial Specific Development Grant Fund contrary to the matters mentioned in the Section 1.2.1, 6.2.2, 2.5 and 2.6 of the Procurement Guideline 2006.

Procurement procedures should be followed for said purchase.

As per Procurement Guideline, tender notice had been published in two newspapers by allowing 14 days period due to lack of 21 days.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comment of the Accounting Officer

When comparing the budgeted recurrent expenditure and actual recurrent expenditure of the Council, a favourable variance of Rs. 106,498,129 was incurred.

Respective actions should be taken to plan the budget properly.

Staff vacancies had not been filled and expenses had not been made economically, thus this variance was incurred.

4.2 Internal Audit

Audit Observation

Recommendation

Comment of the Accounting Officer

Copies of internal audit report had not been presented to auditor general in terms of Financial Regulation 134(3) of the Democratic Socialist Republic of Sri Lanka

Relevant reports should be presented to audit.

Copies of internal audit report will be submitted in future periods.

4.3 Unresolved Audit Observation and Non-replied Audit Queries

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) An audit query No. NN/JF/B/2015(10) of 30 September 2015 with heading of “Veterinary Surgeon appointed on contract basis” had been issued and it was mentioned in the audit reports for the period from the year 2014 to 2017. This payment was contrary to the act, thus it could not be ascertained in audit.	Replies of audit queries should be presented to audit.	Respective action will be taken as soon as obtained inquiry report of the committee.
(b) An audit query No. NN/JF/B/MC/2015(02) of 12 October 2015 with heading of “Unauthorized salaries and transport expenses of Rs. 750791 for engineer appointment on contract basis” had been issued and it was mentioned in the audit reports for the period from the year 2014 to 2017. This payment was contrary to the act, thus it could not be ascertained in audit.	Replies of audit queries should be presented to audit.	Respective action will be taken as soon as obtained inquiry report of the committee.