

Valvettithurai Urban 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 26 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 Valvettithurai Urban 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

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.	Not replied.

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) Section 54 (3) of Chapter III of Urban Council Rule	Warrant had not been issued to the persons who defaulted arrears of assessment tax on property totalling Rs. 4,538,640 by the chairman.	Action should be taken as per said Urban Council Rules.	Effort will be taken to take action in this regard in future periods.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka No. 571	No action had been taken in respect of retention money to be refund to contractors valued at Rs. 63,877.	Action should be taken as per said Financial Regulations.	Balance amount of Rs. 63,877 had to be paid.

- (c) Northern Province Finance Circular No. 30/2016 of 29 December 2016 Fuel consumption had not been tested for 02 vehicles of the Council. Action should be taken as per said circular. Fuel consumption could not be tested due to damage of the vehicle.

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. 5,733,352 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 14,127,614.

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	2,406,500	-	1,727,713	4,538,640	790,000	-	764,485	3,747,336
Rentals	2,873,850	-	3,700,781	47,000	5,682,000	-	3,570,082	-
License	734,500	-	716,355	-	738,500	-	839,645	-
Fees								
Other Revenue	50,362,500	-	47,264,939	11,617,089	47,380,500	-	50,115,652	-
	56,377,350	-	53,765,238	16,202,729	54,591,000	-	55,289,864	3,747,336

❖ Billed revenue had not been presented to audit.

2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) It was observed that collected revenue for the years 2017 and 2018 were Rs. 55,289,864 and Rs. 53,765,238 respectively, thus performance of	Billed revenue should be certified.	When receiving stamp duties collected in the year 2018, they will be included in revenue.

revenue collection for the year 2018 had been decreased by Rs. 1,524,626 as compared with the year 2017.

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| (b) revenue had not been billed by the Council for the last 05 years, thus arrears of such revenue could not be verified. | Revenue of the Council should be billed. | Actions will be taken therefor in ensuing years. |
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2.2.3 Rates and Taxes

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
No action had been taken to recover arrears of assessment tax on property of the Council totalling Rs. 4,538,640.	Arrears should be recovered in due period.	Balance amount of Rs. 3,738,097 had to be recovered.

2.2.4 Court Fines and Stamp Fees

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Court fines and stamp fees totalling Rs. 4,436,614 and Rs. 2,309,206 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.	It will be refunded to the Councils after receiving all court fines receivable to the 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 Urban 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 -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
By-laws were required to be enacted for 10 to 15 main functions in terms of section 157 of the Urban Councils Ordinance. But by-laws had not been enacted for 05 functions even by 31 December 2018.	Action should be taken in terms of said Ordinance.	Action will be taken in respect of 10 – 15 by-laws.

(b) Action Plan

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
An annual action plan had not been prepared in respect of 10 activities to be implemented by the Council as per by-laws enacted.	An annual action plan should be prepared by the Council.	Actions will be taken in future periods.

(c) Solid Waste Management

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
A relevant area had been selected for disposing garbage and garbage was dumped and set on fire without being segregated. As such, it causes for environmental pollution.	It should be certified that solid wastes are segregated and collected properly.	Actions will be taken to prevent environmental pollution.

(d) 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.	Actions should be taken for disposing solid wastes.	Action is being taken in this regard.

(e) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No meaningful actions had been taken to achieve sustainable development targets in terms of the Circular No. A.S.General/2018/16 of 23 April 2018.	Actions should be taken as per instructions of the circular.	Work schemes are being carried out in this regard.

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Fixed deposit valued at Rs. 62,220,310 had been deposited in the bank in order to generate interest revenue without being used for urban development purpose.	Fixed deposits should be used for area development.	Actions will be taken in this regard in future periods.
(b) No action had been taken to recover cemetery tax from 05 cemeteries of the Council.	The Council should recover its revenue properly	Actions will be taken to recover the charges.

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
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The Council had not recruited and deployed human resources properly. As a result, works to be completed by such 10 human resources had been delayed.	Action should be taken to fill the vacancies of the cadre.	Action is being taken to fill the vacancies of the posts.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
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No action had been taken by the Council to settle the fund in respect of Aathi Kovilady Road works valued at Rs. 253,919 in the year under review.	Action should be taken to settle this fund.	Respective action is being taken.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
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No action had been taken to transfer ownership of 02 vehicles valued at Rs. 1,035,000 to the Council.	Action should be taken to transfer ownership to the Council.	Registration book of the vehicle which was issued as a donation had not been available, thus there was a delay in transferring ownership.

3.5.2 Idle Assets

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) A land had been obtained on the basis of lease for constructing a public park for providing better and useful services to general public as per decision of the Council of 28 June 2013. However, the park had not been constructed in that land by the Council up to now and a sum of Rs. 298,800 had been paid as a lease charge.	Action should be taken by the Council to use its fund efficiently.	It will be given for use of general public after completing entire works.
(b) At new market building complex, 11 stalls and open hall situated at Block "A" had not been rented out, thus revenue loss had been incurred to the Urban Council.	Action should be taken by the Council to generate revenue by using its assets efficiently	No one applied when calling bids.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Expenditure of the Council such as personnel emoluments, travel expenses, repair and maintenance of capital assets, pensions and retirement benefits and gratuities had been as favourable and supplying goods and requisite goods, grants, assistant funds, aid funds, loading and unloading, continuous utility services and other services, and expenditure had been as adverse.	Budgets should be prepared efficiently by planning as per control instruments.	Action will be taken to settle variances between budget and actual.

4.2 Unresolved observations and non-replied audit Queries

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
No action had been taken up to now in respect of observations of	Action should be taken in respect of observations of the	Guidance is being obtained for recovering

the audit report of the Auditor General for the years 2012 and 2013 examined by the Provincial Committee on Public Accounts on 24 October 2016 in respect of Urban Council.

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relevant sum.