

**Vavuniya Urban Council**  
**Vavuniya 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 of the Council 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 Vavuniya 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 Comments on Financial Statements**  
-----

**1.3.1 Accounting Deficiency**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
Revenue of Rs. 125,000 receivable by leasing out children park, Kudiyiruppu to outside institution up to audit year since 2012 had not been brought to account, thus accumulated fund had been understated in the accounts.	Lease revenue of the year under review should be shown in the revenue and expenditure account.	A letter had been forwarded to the Assistant Commissioner of Local Government by requesting to release this amount.

### 1.3.2 Lack of Written Evidences for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
Two account items valued at Rs. 33,214,563 could not be satisfactorily vouched or accepted in audit due to non-submission of fixed assets registers.	Certifying evidences of account balances shown in the financial statements should be submitted to audit.	Furniture and fittings, machineries and equipment were being maintained on the basis of values in a stock register format up to now. At present, they are maintained in separate registers as per assets management.

### 1.3.3 Non-compliances

#### 1.3.3.1 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
(a) Urban Councils Ordinance			
(i) Section 44(2)	Schedules of roads and lanes belonging to the Council had not been published in a Government Gazette within 3 years since the establishment of the Urban Council.	Should act as per instructions of Urban Councils Ordinance.	Even though actions in respect of publishing roads in a Gazette had been taken during the prior periods, they had not been completed. As such, this action had been started again newly.
(ii) Section 54 (2) of Chapter III	Recoveries had not been made in due periods.	Should act as per instructions of Urban Councils Ordinance.	Recoveries had been made in due periods. However, continuous actions are being taken in respect of arrears remained.
(b) Financial Regulations of the Democratic			

Socialist Republic of  
Sri Lanka

- |       |   |   |  |   |
|-------|---|---|--|---|
| (i)   | Financial<br>Regulation<br>751(2)         | An inventory register had not been maintained for electrical connection items of the Council separately and recorded entries. | Should act as per instructions of Financial Regulations. | It was found that a register had not been maintained. Action will be taken to maintain a register for it properly in future periods.  |
| (ii)  | Financial<br>Regulation<br>571(2) and (3) | Action had not been taken in respect of 09 lapsed deposits valued at Rs. 244,337.   | Should act as per instructions of Financial Regulations. | These deposits represent money recovered from persons who construct buildings without approval. 10% is being deducted as fine from the deposit annually and transferred to the revenue of the Council until relevant actions will be taken for those buildings. |
| (iii) | Financial<br>Regulation<br>371(5)         | Action had not been taken to settle a sum of Rs. 142,733 remained in the advance account for a long time.                     | Should act as per instructions of Financial Regulations. | Continuous action is being taken to rectify the advance balance.  |
- (c) Procurement Guideline of the Democratic Socialist Republic of Sri Lanka  
Section 178(3)
- |   |  |  |
|---|--|--|
| A register including names of community based organizations and community centers which carry out contract works effectively had not been prepared. | Should act in terms of Procurement Guidelines. | Action had been taken to prepare and maintain above register with the help of the Community Officer. |
|---|--|--|

(d)	Treasury Circular No. IAI/2002/02 of 28 November 2002	A register in respect of computer and its accessories had not been maintained.	Should act in terms of the circular instructions.	Action had been taken to maintain a register in respect of computer and its accessories.
-----	---	--	---	--

**1.3.4 Noncompliance with Tax Requirements**

-----

**Audit Observations**

-----

At transactions in respect of Value Added Tax (VAT) of the Council, Value Added Tax amount on goods or construction works should be paid to the registered contractors or suppliers as per Section 5.4.12 of Procurement Guideline of 2006. Details of such payments should be forwarded to the Commissioner General of Inland Revenue with a copy of Auditor General on or before 15<sup>th</sup> day of the following month. Payments of Value Added Tax amounting to Rs. 2,741,838 had not been informed to audit up to now even though 05 work activities had been carried out.

**Recommendations**

-----

Should act as per instructions of Value Added Tax and Procurement Guideline.

**Comments of the Accounting Officer**

-----

It was informed that reports on VAT will be forwarded you in due period.

**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. 71,516,844 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 80,085,510.

## 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.
(i) Rates and Taxes	23,512,046	24,788,149	23,383,989	41,245,333	23,262,046	29,895,123	26,189,258	42,649,494
(i) Rentals	42,058,834	36,094,056	35,901,420	5,300,770	34,141,469	36,494,175	37,091,229	5,434,906
(ii) License Fees	2,510,000	2,167,702	2,167,702	--	2,515,000	1,946,555	1,946,555	--
(iii) Other Revenue	56,331,000	54,783,351	63,185,799	36,594,039	126,804,000	110,948,701	126,874,659	28,191,591
<b>Total</b>	<b>68,137,211</b>	<b>117,833,258</b>	<b>124,638,910</b>	<b>83,140,142</b>	<b>186,722,515</b>	<b>179,284,554</b>	<b>192,101,701</b>	<b>76,275,991</b>

### 2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
Budget estimate had not been prepared properly and estimate had not been planned and programmed in a proper manner, thus variances ranging from Rs. 128,057 to Rs. 6,157,415 between the budgeted revenue and actual revenue were incurred.	Budget should be prepared properly.	It was collected in due period and some revenue losses had been incurred due to changes of new bus stand places, open place market, vehicle park lease, old bus stand lease.

### 2.2.3 Rates and Taxes

-----

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) It was observed that no meaningful actions had been taken to recover arrears of rates and taxes totalling Rs. 41,245,333 for the last 01 to 05 years and reassessment of tax on property also had not been carried out for over the last 07 years, thus accuracy of recovery of rates and taxes and arrears could not be satisfactorily vouched or accepted in audit.	Actions should be taken to recover rates and taxes and reassessment also should be carried out.	Action is being taken to recover arrears of rates and taxes by <b>Revenue Collecting Officer</b> . Reassessment had not been carried out for properties up to now even though It was communicated with Department of Valuation for carrying out reassessment in many instances.
(b) Action had not been taken by the Council to recover entertainment tax receivable of Rs. 1,090,745 for the last 04 years.	Actions should be taken to recover entertainment tax.	A sum of Rs. 1,090,745 had been shown as arrears continuously in prior periods. Relevant documents had been forwarded to the Hon. Governor in order to take action to write off it.

### 2.2.4 Rentals

-----

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a) No action had been taken by the Council to recover rents receivable totalling Rs. 2,718,408 for the last 01 to 05 years.	Actions should be taken to recover rents of all stalls under the purview of the Council.	Out of arrears of rents and leases totalling Rs. 5,300,770 as at 31 December 2018, a sum of Rs.

2,582,362.45 had been recovered on 30 April 2019 and actions are being taken to recover remaining arrears.

- |  |   |   |
|--|---|---|
| <p>(b) Rental contracts had not been entered in respect of 58 stalls belonging to the Council which were rented out for the last 01 to 47 years.</p>   | <p>Actions should be taken to enter rental contracts.</p> | <p>Out of stalls which not entered contracts, many stalls had been transferred. Further, stalls were sold or rented out and some of them went to abroad, thus contract had not been entered. In addition to that, it is informed you that continuous action is being taken in respect of transferring ownership without informing us.</p> |
| <p>(c) Contract period of 315 stalls and lands belonging to the Council which were rented out had been ended and period of 01 to 33 years had been lapsed. However, contract had not been entered again in this regard and they were being used.</p> | <p>Actions should be taken to enter contracts again.</p>  | <p>Action is being taken to renew contracts by issuing notice to the stalls which not entered contracts.</p>  |

## 2.2.5 Court Fines and Stamp Fees

### (a) Court Fines

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
Court fines totalling Rs. 18,566,339 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 court fines in due periods.	As per action taken to recover court fines up to 31 December 2018, a sum of Rs. 9,540,600 had been recovered. Action had been taken to recover remaining amount.

### (b) Stamp Fees

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
Stamp fees totalling Rs. 18,027,700 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 stamp fees in due periods.	Certified details of stamp duties had been received now. It is informed that action had been taken to obtain amount therefor.

## 2.2.6 Surcharges

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
As per provisions of Urban Councils Ordinance, Surcharges of Rs. 15,815 had been charged against the responsible persons in the year under review. A sum of Rs. 957,768 including surcharges charged in the	Action should be taken to recover surcharges in due periods.	It is informed further action will be taken by establishing a committee in respect of above balance and report in this regard



preceding years had remained as recoverable continuously as at 31 December 2018.

will be forwarded.

**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**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
By-laws were required to be enacted for 30 main functions in terms of section 157 of the Urban Councils Ordinance. But by-laws had been enacted for 21 functions only even by 31 December 2018.	By-laws should be enacted in respect of 30 main functions in terms of section 157 of the Urban Councils Ordinance.	Approval of the Council had been obtained to publish other 10 functions as per section 157 of the Urban Councils Ordinance. It is informed that further actions are being taken by the Council in this regard.

**(b) Action Plan**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
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 in respect of 10 activities to be implemented by the Council.	Action will be taken to prepare an annual action plan.

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

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- Eight contract works valued at Rs. 13,385,874 carried out by the Council had not been completed in the year under review. However, reasons therefor had not been made available to audit.	----- Action should be taken to complete works in due period as per works planned	----- Reasons for delays in above works had been found out and period of such works had been extended at monthly meetings of the Urban Council.

(d) **Solid Waste Management**

-----

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
----- (i) Environmental license had not been obtained for the places of disposing garbage.	----- License should be obtained.	----- There were opportunity possible to change this place, thus action on obtaining license was in delay.
(ii) Sanitary labourers had not been subjected to medical test annually	Sanitary labourers should be subjected to medical test annually	Arrangements had been done to subject to medical test.
(iii) Garbage had not been categorized separately and collected.	Garbage should be categorized and collected.	Actions are being taken to categorize garbage separately.
(iv) A work plan for categorizing garbage being brought to the dumping place of garbage of the Council had not been	A work plan for categorizing garbage should be prepared.	It is informed that delays were incurred in implementing this work plan.

implemented.

- |      |  |  |   |
|------|--|--|---|
| (v)  | An information and data system required to waste management had not been maintained.                       | Data and information in respect of waste management should be prepared systematically. | It is informed that this matter will be considered and rectified in future periods. |
| (vi) | Solid wastes had been set on fire in order to damage the environment without being subjected to recycling. | Solid wastes should be subjected to recycling.   | Actions are being taken in this regard.   |

### 3.2 Management Inefficiencies

-----

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
-----	-----	-----
(a) A sum of Rs. 122,969 had been spent by the Council for printing and supplying “K” form for the year under review. However, 1417 forms had remained at the Council as the officers who issued such forms had not been worked efficiently. No actions had been taken by the responsible officers in this regard.	Action should be taken to issue forms completely.	Owners of the properties and nature of the properties had been changed mostly. As a result, when issuing “K” forms, relevant persons could not be identified to issue those forms due to changes of relevant properties.
(b) Two vehicles obtained as a donation had remained without registration books.	Ownership of the assets should be certified.	Action had been taken to issue such two vehicles to Vocational Training Centers due to unable to use them.

- |     |   |   |   |
|-----|---|---|---|
| (c) | Library building fund of Rs. 745,225 had been retained in general deposit account for over the last 04 years without being used for intended purpose.   | Should act as per instructions of relevant rules.               | It is kindly informed that these two deposits were being maintained as to be obtaining fixed interest and it will be used if necessary. |
| (d) | A person had encroached a land in extent of 7 perch belonging to the Council independently and run an enterprise. No actions had been taken by the Council to take legal action in this regard in terms of section 255 of Urban Councils Ordinance.       | Ownership of the assets should be certified.                    | It was identified now and action is being taken. It will be informed you by getting a report in this regard.                            |
| (e) | A business organization had encroached 02 stalls and land belonging to the Council independently and run an enterprise. No actions had been taken by the Council to take legal action in this regard in terms of section 255 of Urban Councils Ordinance. | Action should be taken to repair in a usable manner and use it. | It was identified now and action is being taken. It is informed that a report in this regard will be forwarded you.                     |

### 3.3 Human Resources Management

-----

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
(a) <b>Vacancies of Cadre</b> -----		
Thirty staff vacancies of the	Action should be	Action is being taken to

Council had not been filled as at 31 December 2018. taken to fill vacancies. fill vacancies.

**(b) Employees Loan**  
-----

(i) Meaningful and legal actions had not been taken to recover arrears of staff loan totalling Rs. 246,260 recoverable from 03 officers who transferred out from the Council in preceding years. Action should be taken to recover arrears of employee loan. Action is being taken to recover arrears of staff loan recoverable from the officers.

(ii) Meaningful and legal actions had not been taken by the Council to recover arrears of staff loan totalling Rs. 27,795 recoverable from 03 officers who had resigned, retired and deceased from the post. Action should be taken to recover arrears of loan. Action is being taken to recover arrears.

**(c) Employee Securities**  
-----

Two officers had been resigned from the Council for a long period. However, action had not been taken to refund a sum of Rs. 14,552 included in the employee security deposits. Action should be taken to refund security money. It is informed that respective action will be taken in this regard and reported you.

### 3.4 Operating Inefficiencies

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
-----	-----	-----
(a) No meaningful actions had been taken to carry out reassessment of properties under the purview of the Council and recover assessment tax on properties for over the last 08 years.	Actions should be taken to carry out reassessment of properties.	It is informed that, it was communicated with the Department of Valuation for carrying out reassessment of properties belonging to the Urban Council in many instances and relevant documents had also been forwarded. However, our properties had not been reassessed by the Department of Valuation up to now.
(b) Action had not been taken by the Council to issue certificate of conformity to 219 parties out of persons who obtained approval for building up to now.	Should act as per instructions of relevant rules.	Certificate of conformity are being issued to the persons who request certificate of conformity after completed building with proper approval. Continuous action is being taken in respect of others.

### **3.5 Assets Management**

-----

#### **3.5.1 Failure to record Assets**

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
-----	-----	-----
According to the financial statements submitted, disclosures had not been made in respect of 50 land and buildings belonging to the Council and register of land and buildings also had not been maintained by the Council properly. Ownership of such assets belonging to the Council had not been certified through the proper verification of land and buildings as well.	Land and buildings should be verified and ownership of such assets belonging to the Council should be certified.	Out of the assets of the Council, furniture and fittings, plant and machineries and motor vehicles had been assessed fully and land and buildings had been identified completely. Further, a letter had been forwarded to the Department of Valuation for assessing lands. Action is being taken to assess the buildings.

#### **3.5.2 Failure in carrying out Maintenance and Repairing**

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
-----	-----	-----
Ten vehicles of the Council had remained idle for a long period. No action had been taken either to use or to sell them by following a proper procedure in this regard up to now.	Actions should be taken to use by repairing them as a usable manner or to sell.	It will be sold by obtaining approval of the Council and the Secretary to the Ministry respectively.

### 3.5.3 Idle Assets

-----

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
-----	-----	-----
(a) Goods valued at Rs. 1,752,625 had remained idle at the store of the Council for over 04 years.	Action should be taken to use them.	Action is being taken to use them now.
(b) Machineries purchased at a cost of Rs. 4,455,800 for producing a natural fertilizer from solid wastes on 13 December 2017 had remained idle up to now.	Action should be taken to use them.	They are being used now.
(c) Elders park, Kurumankaadu had been completed at a cost of Rs. 2,534,837 by the Council under the work scheme of Specific Development Grant on 18 June 2018. However, it had remained idle up to now.	Action should be taken to use it.	Fund allocation had been limited for it, thus work such as land scaping, internal decorations and constructing chairs had to be done. However, action had been taken to use it in a limited manner.
(d) Vavuniya tank tourism center had been completed at a cost of Rs. 4,521,119 under the work scheme of Provincial Development Grant on 12 December 2018. However, it had remained idle up to now.	Action should be taken to use it.	Above work scheme had been completed partially without being completed fully due to the limited fund allocation. A sum of Rs. 3.0 million had been allocated for completing a part of remaining work by Serial No. 33 of the Budget of the Urban Council for the year 2019.



Hence, it is being used in a limited manner until these works and scheme will be completed.

<p>(e) Electronic library which was carried out by the Council under the work scheme of Specific Development Grant had been completed by the Council at a cost of Rs. 895,453 on 18 June 2018. However, it had remained idle up to now.</p>	<p>Action should be taken to use it.</p>	<p>It is informed that electronic library could not be used fully due to lack of staff.</p>
---	--	---

**3.5.4 Assets not acquired**  
-----

<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>Ownership of twelve vehicles received as a donation had not been transferred to the Council.</p>	<p>Actions should be taken to transfer the ownership of the vehicles.</p>	<p>It had been forwarded to the Department of Motor Traffic for transferring ownership of 12 vehicles.</p>

**3.5.5 Annual Board of Survey**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
<p>Actions had not been taken in respect of 119 goods which were indicated by the board of survey of the preceding year as unusable in terms of the Public Finance Circular No. 438 of 13 November 2009 up to now.</p>	<p>Should act as per instructions of the circular.</p>	<p>Actions are being taken to dispose the goods which were indicated by the board of survey of the year 2018 as unusable.</p>

### 3.6 Irregular Transactions

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>-----</p> <p>A sum of Rs. 43,955 had been paid by the Council as a fine for 05 vehicles when obtaining revenue license for the vehicles belonging to the Council in the year under review.</p>	<p>-----</p> <p>Should act as per instructions of relevant rules.</p>	<p>-----</p> <p>Five vehicles being used by the Council had been owned by the Commissioner of Local Government. However, revenue license had not been obtained in due period due to failure to made available registration book therefor.</p>

### 3.7 Identified Losses

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>-----</p> <p>A becko machine valued at Rs. 08 million obtained by the Council in the year 2009 had been destroyed completely by set on fire on 23 March 2019.</p>	<p>-----</p> <p>Should act as per instructions of relevant rules.</p>	<p>-----</p> <p>The becko vehicle being used by the Council had met fire accident when it was parked at the premises of the Council and it had been extinguished by the fire extinguishing division of the Council at partially damaged condition. Actions to be taken in respect of this fire accident had been taken immediately.</p>

### 3.8 Procurement

#### 3.8.1 Contract Administration

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>(a) Contrary to the Public Finance Circular No. 01/2012 of 05 January 2012 of Ministry of Finance and Planning, 18 contract works totalling Rs. 27,504,037 had been carried out by the Council by entering contacts with the Community Centers in the year under review. The observations in this regard are as follows.</p>	<p>Should act as per circular instructions.</p>	<p>Action had been taken to submit details of above selected community center to the procurement committee which includes three persons such as head of the Department and two representatives and obtain recommendation and approval from such committee in future period.</p>
<p>(ii) Contrary to the section 3.2(iv) of the circular, such contract works had been carried out by other private contractors by awarding sub contract to</p>	<p>Should act as per circular instructions.</p>	<p>As per contracts entered by us, all activities in respect of contract works such as implementing contract, submitting payment bill and work</p>

them without being carried out by the community centers. Commission of 5% only had been received by the community centers.

completion letter were being done with the community center which was entered the contract.

(iii) Any actions had not been taken by the Council to include such community centers which involved in sub contracts in black list up to the date of this report as per section 3.2(iv) of the circular.

Should act as per circular instructions.

Any complaints or certifications in respect of sub contracts made in community centers had not been made available to the Urban Council.

(b) Four contract works totalling Rs. 6,977,383 estimated and started in the year under review had not been completed up to the date of this report.

Contract works should be completed in due period.

Not replied.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>Variances ranging from Rs. 27,033 to Rs. 17,301,230 between the budgeted expenditure and actual expenditure were observed. It was indicated that budget had not been made use of as an control instrument of the management.</p>	<p>Budget estimate should be prepared properly.</p>	<p>It was instructed to prepare budget by comparing properly in future periods.</p>