

**Chavakachcheri Urban Council**

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**Jaffna District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented to Audit on 28 February 2020 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 Sabha on 15 July 2020 and 31 August 2020 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 Chavakachcheri Urban Council as at 31 December 2019 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 preparing the Financial Statement**

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

**(b) Accounting Deficiencies**

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i) Overstated the assets amount shown in the financial statement of Council, due to 67 machines valued at Rs. 2,375,313 were not found physically even though its were shown in the financial statements.	Kindly be informed that action will be taken to written off in future.	Actions should be taken to reconcile the value of machines that are not physically found in the records.

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| (ii)  | Overstated the assets amount shown in the financial statement of Council, due to 23 motor vehicles, value of Rs. 1,687,954, were not found physically even though its were shown in the financial statements.  | Kindly be informed that action will be taken to written off in future. | Actions should be taken to reconcile the value of motor vehicles that are not physically found in the records. |
| (iii) | Overstated the assets amount shown in the financial statement of Council, due to 1,097 machines, value of Rs. 701,391, were not found physically even though its were shown in the financial statements.       | Kindly be informed that action will be taken to written off in future. | Actions should be taken to reconcile the value of furniture that is not physically found in the records.       |
| (iv)  | Overstated the assets amount shown in the financial statement of Council, due to no. of 4,682 books, value of Rs. 1,066,181, were not found physically even though its were shown in the financial statements. | Action is being taken to written off the value of the relevant books.  | Actions should be taken to reconcile the value of books that are not physically found in the records.          |

#### 1.4 Non-compliances

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

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Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances	Comments of the Accounting Officer	Recommendation
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(a) Urban Council Rules Section 54 (2) of Chapter III	Warrant had not been issued to the persons who defaulted arrears of assessment tax on property Rs. 12,021,965 by the chairman.	Action will be taken to issue the warrant to all property.	Appropriate action should be taken to arrears of tax on property in terms of Urban Councils Rule.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  No. 371	Advances valued at Rs.19,290 paid by the Council had not been settled	Action is being to recover.	Appropriate action should be taken to adjust in terms of

up to now.

Financial  
Regulation.

No.571

Na action has been taken to related security fund, retention money more than 2 years.

Has been sent the letter to the relevant contractors for received the retention money.

Action should be taken as per the financial regulation.

## 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 2019 amounted to Rs. 41,902,170 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 15,145,188.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Collected Revenue and Arrears of Revenue

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

Source of Revenue	2019			2018		
	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	6,735,000	7,095,438	12,021,965	6,936,400	7,053,963	11,824,334
Rentals	23,637,200	25,412,400	1,019,764	14,314,200	26,854,257	831,479
License Fees	831,000	939,291	500	806,100	872,031	1,500
Other Revenue	76,673,056	83,701,732	9,220,496	91,362,000	50,776,185	9,053,738
	<b>107,876,256</b>	<b>117,148,861</b>	<b>22,262,725</b>	<b>113,418,700</b>	<b>85,556,436</b>	<b>21,711,051</b>

**2.2.2 Rates and Taxes**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
No action had been taken to recover arrears of tax on property of the Council totaling Rs. 12,021,965.	A tax value declaration form is provided to cover the outstanding amount.	Appropriate action should be taken recover the arrears of tax on property in the due periods.

**2.2.3 Rentals**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
No action had been taken by the Council to recover arrears of stall rents totaling Rs. 345,804 in the year under review.	Action is being taken to recover.	Appropriate action should be taken to recover the arrears of stall rent in the due periods.

**2.2.4 License Fees**  
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**(a) Business License Fees**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
No action had been taken to recover license fees for telecommunication towers totaling Rs. 300,000 in the year under review.	Action will be taken to recover	Appropriate action should be taken to collect the arrears of license fee in the due period.

**(b) Trade License Fees**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
No action had been taken to recover arrears of advertisement board chargers Rs. 428,250 in the year under review	Action will be taken to recover	Appropriate action should be taken to collect the arrears of advertisement board chargers in the due period.

### 2.2.5 Other Income

#### Audit Observation

#### Comment of the Accounting Officer

#### Recommendation

No action had been taken to recover arrears of other income Rs. 11,409 in the year under review.

Appropriate action will be taken.

Appropriate action should be taken to collect the arrears other income in the due period.

### 2.2.6 Stamp Fees

#### Audit Observation

#### Comment of the Accounting Officer

#### Recommendation

Stamp fees totaling Rs. 6,434,683 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.

Action has been taken to recover the outstanding amount.

Appropriate action should be taken to collect the arrears of stamp fees in due period.

## 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

#### Comment of the Accounting Officer

#### Recommendation

According to section 157 of the Urban Councils Ordinance, by-laws had not been enacted for 15 functions even by 31 December 2019.

Action will be taken to prepare.

Appropriate action should be taken to enact the by-law in term of Act.

**(b) Solid Waste Management**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
(i) Grinding machine has not fitted under in Pilisaru Project.	Action is being taken to fit.	Machine should be fitted.
(ii) Solid wastes had been collected without being segregated. This has not been included recycles.	Action is being taken to sales.	Action should be taken to includes recycle the solid waste.
(iii) Thirty sanitary labourers who were employed in solid waste activities had not been subjected to medical test by the Urban Council annually.	Actions have been taken to conduct medical test for sanitary labourers from this year.	Action should be taken to conduct a medical test of sanitary labourers.
(iv) The public has been affected by the lack of sewerage, an essential service to be provided by the urban council.	Have requested the Jaffna District Secretary to restart this work.	Appropriate action should be taken to carry out sewerage which is an essential service

**3.2 Management Inefficiencies**  
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<b>Audit Observation</b> -----	<b>Comment of the Accounting Officer</b> -----	<b>Recommendation</b> -----
(a) The fixed deposit of Rs. 73,604,622 was deposited in the bank which was not used for urban development.	Development programs will be implemented by the council.	Appropriate steps should be taken to utilize the funds of the Council for development purposes.
(b) Although it was observed that a case was pending in the court by the council regarding the unauthorized building, the liabilities were not disclosed in the financial statements as a Contingent liability.	At the end of 2019, due to the prevailing litigation situation, it was not possible to establish a financial regulation in advance.	Details of the expected value of the case by the council should be disclosed in the financial statements

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| (c) | Expenditure has not been disclosed in the financial statements, although court case has been filed against the council. | Is included in the income expenditure accounts.                       | Expenses related to the case carried out should be disclosed in the financial statements. |
| (d) | No action has been taken to renewal the lease agreement of the 38 shops owned by the council from 07 to 40 years.       | Action is being taken against shops that do not renewal the contract. | Appropriate action should be taken to renewal lease agreements from time to time.         |

**3.3 Human Resources Management**  
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**(a) Vacancies and Excess**  
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**Audit Observation**  
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**Comment of the Accounting Officer**  
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**Recommendation**  
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It was observed in audit that the Council had not recruited and deployed human resources properly. As a result, works to be completed by such 25 human resources had been delayed.

The letter has been sent the department of management service for the approval.

Appropriate action should be taken to fill the vacancies in the due period.

**(b) Distress Loan**  
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**Audit Observation**  
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**Comment of the Accounting Officer**  
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**Recommendation**  
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No action has been taken to collect the outstanding loan amount of Rs. 88,478 for more than 08 years due from the 04 officers who died and were vacated by the Board.

Appropriate action will be taken

Action should be taken to recover the arrears of distress loan within the due period.

### 3.4 Operating Inefficiencies

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
----- Although form “K” has to be issued to the property owners by the council annually to collect the tax, form “K” has not been distributed to 3,197 properties in 2019.	----- Difficulties in collecting arrears are found in cases where the property owners cannot be identified.	----- Appropriate action should be taken to issue K forms for collection of property tax arrears.

### 3.5 Assets Management

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#### 3.5.1 Failure in carrying out Maintenance and Repairing

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
----- Vehicles bearing Nos. NPJP –8201 and NPJS – 7934 had not been repaired by the council even though they had been damaged.	----- Appropriate action will be taken	----- Vehicles of maintenance and repairs should be taken in the due period.

### 4. Accountability and Good Governance

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#### 4.1 Budgetary Control

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
----- It was observed that this budget was inefficient budget due to grate differences between budgetary expenditure and actual expenditure for the recurrent expenditures.	----- Not Replied	----- Appropriate action should be taken by the Sabha to efficiently plan the Budget.