

Vavuniya Municipal Council - 2023

The audit of the operations of the Vavuniya Municipal Council for the year ended 31 December 2023 was carried out under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sections 219 and 220 of the Municipal Councils Ordinance (Chapter 252) and National Audit Act No. 19 of 2018 and the provisions of the Municipal Councils Ordinance (Chapter 252). Its operations for the year ended 31 December 2023 only appears in this report. My comments and observations which I consider should be reported to parliament appear in this report.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

As per Section 16(1) of the National Audit Act No. 19 of 2018, every auditee entity shall maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared in respect of such entity. As per Section 16(2) of the Act, annual financial statements in respect of every auditee entity shall be submitted by the Accounting Officer to the Auditor-General along with the annual performance reports, within such period as may be provided by rules. As per Section 38(1)(c) of the Act, an Accounting Officer of an auditee entity ensure the timely preparation and submission of annual and other financial statements and in addition the Accounting Officer shall be required to submit annual reports to Parliament pertaining to the auditee entity

1.3 Establishment of the Vavuniya Municipal Council and preparation of Financial Statements

By the Extraordinary Gazette No. 2296/05 dated 06 September 2022, the Minister in charge of Local Government and Provincial Councils dissolved the Vavuniya Urban Council with effect from 19 March 2023 and established the Vavuniya Municipal Council with effect from 20 March 2023, specifying that date as the date on which the term of office of the members would commence. However, the required number of members has not been elected in accordance with Section 09 of the Municipal Council Ordinance and the Council should be considered as having been established on that date. However, without appointing a Municipal Commissioner in accordance with Section 170(1) of the Municipal Council Ordinance, administrative activities had continued to be carried out under the name of Vavuniya Urban Council. Furthermore, the Municipal Council had not prepared the financial statements to be submitted as of 31 December 2023 and submitted them to the audit as of the date of this report.

1.4 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Council	Recommendation
Land title deeds and history sheet relating to 26.93 hectares of land stated in the financial statements for the year 2022 had not been submitted for audit.	At present, continuous actions are being taken regarding the lands which ownership was not obtained.	Information confirming the ownership of the land should be submitted for audit.

2. Financial Review

2.1 Performance in Revenue Collection

Audit Observation	Comment of the Council	Recommendation
The outstanding property tax balance from 13,484 residents for more than 02 years was Rs. 23,162,586 and the outstanding lease rent for a period from 01 to 10 years was Rs. 1,312,094.	Steps have been taken to recover property tax through revenue collection officers and to recover the outstanding lease rent on an installment basis.	Appropriate measures should be taken to recover the outstanding property tax.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations	Comment of the Councils	Recommendations
(a) Although the Vavuniya Municipal Council was legally established on 20 March 2023, a Municipal Commissioner has not been appointed for it.	Due to the lack of approval for the expenditure estimates, a Municipal Commissioner could not be appointed.	Prompt action should be taken to obtain the necessary approval and appoint a Municipal Commissioner.
(b) A loss of Rs. 204,500 had been incurred due to an accident met by the Gully Bowser belonging to the Council. In this regard, action had not been taken in accordance with the provisions of Financial Regulations 101 to 110 of the Democratic Socialist Republic of Sri Lanka and the amount had been recorded as the maintenance expenses of the Council's vehicles.	It was not considered a loss due to the fact that it was recorded as the maintenance expenses of the vehicles.	Action should be taken in accordance with the provisions of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.
(c) Long-term lease agreements of 397 stalls which are to be renewed every 05 years have been in effect for a period of 06 to 43 years without being renewed.	Actions will be taken to renew the lease agreements.	Actions should be taken to renew the agreements.

3.2 Operating Inefficiencies

Audit Observations	Comment of the Councils	Recommendations
(a) Although it was stated in the Extraordinary Gazette of the Democratic Socialist Republic of Sri Lanka No. 1589/20 dated 19 February 2009 that the administration of the Rest house should be transferred to the local government institutions, the Urban Development Authority had not taken actions to transfer the Vavuniya rest house to the council so far. Also, the arrears of rest house rent of Rs. 2,229,222 for the period from August 2019 to 31 December of the year under review had not been collected.	Since a case is pending regarding the relevant matter, further action will be taken after the verdict in this case.	Action should be taken to take possession of the administration of the council and to recover the arrears of revenue.
(b) In the year 2018, the Vavuniya Kulam Tourist Center which was built at a cost of Rs. 7,230,939 was leased to an individual, but it remained idle for more than 04 years without being opened for public use.	A decision will be taken regarding the use of the relevant tourist center in accordance with the verdict in the case.	Action should be taken to ensure that the assets are not left unused.
(c) Appropriate action had not been taken regarding the 7 perches of land in the Vairawapulliyam Kulam which belongs to the council and was forcibly acquired by an individual and is being used for an industry.	Action will be taken to reclaim the land once the demarcation work of the land is completed.	Appropriate action should be taken regarding the land.
(d) The Council had not issued occupancy certificates for 27 development permits issued for the construction of buildings in the year under review.	Applications for occupancy certificates had not been received.	Actions should be taken to issue occupancy certificates.

3.3 Assets Management

Audit Observations	Comment of the Councils	Recommendations
(a) Actions had not been taken to repair and utilize or dispose of 09 tractors found in broken condition for a period from 02 to 21 years.	Actions will be taken to repair and utilize them.	Action should be taken to ensure that assets are not left idle.
(b) Actions had not been taken to acquire 24 lands which were being used by the council by the end of the year under review.	Continuous actions are being taken to acquire the lands.	The ownership of the assets should be settled expeditiously.

3.4 Human Resources Management

Audit Observation	Comment of the Council	Recommendation
Effective Actions had not been taken to recover the outstanding staff loans of Rs. 112,228 which have been outstanding for more than 02 years.	Actions are being taken to recover the outstanding staff loans.	Actions should be taken to recover the outstanding staff loans that need to be recovered.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Council	Recommendation
Due to the fact that there were variations from 07 per cent to 50 per cent in 06 revenue items, from 10 per cent to 97 per cent in 07 expenditure items and 52 per cent in one capital expenditure items when comparing the estimated revenue and expenditure with the actual revenue and expenditure according to the budget prepared for the year under review, the budget had not been used as an effective management control tool.	There were variations between the budgeted expenditure and the actual expenditure due to unpredictable and unexpected expenses.	Actions should be taken to use the budget as an effective management control tool.

4.2 Environmental Issue

Audit Observation

The Council had not obtained environmental permits for the slaughterter house and solid waste center in accordance with the National Environment Act No. 47 of 1980 as amended by Act No. 56 of 1988, Act No. 53 of 2000 and Act No. 01 of 2008 and Section “B” of the Extraordinary Gazette No. 2264/18 dated 27th January 2022.

Comment of the Council

Actions will be taken to obtain environmental permits.

Recommendation

Actions should be taken to obtain environmental permits.