

**Chavakachcheri Urban Council**  
**Jaffna District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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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**

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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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**(a) Accounting Policies**

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**Audit Observation**

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Accounting policies adopted in preparing the financial statements had not been disclosed by the Council in the financial statements.

**Recommendation**

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Accounting policies should be disclosed in the financial statements.

**Comment of the  
Accounting Officer**

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It will be submitted in ensuing financial statements.

**(b) Accounting Deficiency**

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**Audit Observation**

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Sixty seven machineries, 23 motor vehicles, 1,097 furniture and library books valued at Rs. 2,375,313, Rs.1,687,954, Rs. 701,391 and Rs. 1,066,181 respectively had been shown in the final accounts. However, it was not made available physically.

**Recommendation**

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Relevant registers should be maintained in respect of all assets and verified physically.

**Comment of the  
Accounting Officer**

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Assets valued at Rs. 2,375,313 had been shown in the final accounts. They had not been made available physically, thus action is being taken to write off them.

## 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 circular.	Not replied.
(b) 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 by the chairman.	Action should be taken as per instructions of said rules.	Action is being taken to recover arrears.
(c) Northern Province Finance Circular No. 30/2016 of 29 December 2016	Fuel consumption had not been tested for 10 vehicles of the Council.	Action should be taken as per instructions of said circular.	Respective action is being 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. 15,145,188 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 37,563,976.

### 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	6,936,400	-	7,053,963	11,824,334	7,204,000	-	7,125,455	11,075,392
Rentals	14,314,200	-	26,854,257	831,479	23,991,200	-	26,409,694	870,290
License Fees	806,100	-	872,031	1,500	783,000	-	643,160	19,550
Other Revenue	91,362,000	-	50,776,185	9,053,738	69,361,400	-	70,581,370	3,889,975
	<b>113,418,700</b>	<b>-</b>	<b>85,556,436</b>	<b>21,711,051</b>	<b>101,339,600</b>	<b>-</b>	<b>104,759,679</b>	<b>15,855,207</b>

Billed revenue had not been presented to audit.

### 2.2.2 Performance in Collection of Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
It was observed that collected revenue for the years 2017 and 2018 were Rs. 104,759,679 and Rs. 85,556,436 respectively, thus performance of revenue collection for the year 2018 had been decreased by Rs. 19,203,243 as compared with the year 2017. However, billed revenue and arrears shown in the financial statements as at 31 December could not be verified.	Billed revenue also should be verified.	Not replied.

### 2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
No action had been taken by the council to recover arrears of assessment tax on property of the Council totalling Rs. 11,824,334.	Arrears should be recovered in due period.	Action is being taken to recover arrears.

#### 2.2.4 Rentals

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##### Audit Observation

##### Recommendation

##### Comment of the Accounting Officer

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No action had been taken by the Council to recover arrears of stall rents totalling Rs. 831,479 in the year under review.

Action should be taken by the Council to recover arrears of rents.

Action is being taken to recover arrears.

#### 2.2.5 License Fees

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##### Audit Observation

##### Recommendation

##### Comment of the Accounting Officer

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No action had been taken to recover license fees for telecommunication towers totalling Rs. 25,400 in the year under review.

Action should be taken to recover license fees for telecommunication towers.

Respective action is being taken.

### 3. Operating Review

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#### 3.1 Performance

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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

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##### Audit Observation

##### Recommendation

##### Comment of the Accounting Officer

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By-laws were required to be enacted for 15 main functions in terms of section 157 of the Urban Councils Ordinance. But by-laws had not been enacted for 15 functions even by 31 December 2018.

Action should be taken to enact by-laws in respect of 15 main functions in terms of section 157 of the Urban Councils Ordinance.

Respective actions will be taken in future periods.

**(b) Action Plan**  
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<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 15 activities to be implemented by the Council.	An annual action plan should be prepared in respect of 15 activities to be implemented by the Council.	Respective action is being taken in respect of these activities.

**(c) Solid Waste Management**  
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<b>Audit Observations</b> -----	<b>Recommendations</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) A solid waste center had been constructed under Pilisaru Project. However, grinding machine of the Council had remained in the head office unsafely without being fixed.	Assets of the Council should be used properly.	Action is being taken to implement this project.
(ii) A sum of Rs. 66,968 received under Pilisaru Project in the year 2016 had not been used.	Received fund should be used for intended purpose.	Action is being taken to use this fund for such purpose.
(iii) Plastic bottles, polythene bags and glass items had been collected and segregated. However, they had not been subjected to recycling.	Solid wastes should be subjected to recycling.	Respective action had been taken.

**(d) Environmental Issues**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
No actions had been taken to spray mosquito oil for preventing spread of	Actions should be taken for disposing solid wastes.	Action will be taken to prevent spreading mosquitos in the areas

mosquitos and flees and to prevent bad smell in the area selected for disposing solid wastes.

of disposing wastes soon.

### 3.2 Management Inefficiencies

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Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) One tractor and 02 water bowsers had remained idle since the year 2016.	Vehicles should be used properly as per necessity.	Action is being taken to reduce the use of the tractor and write off 02 bowsers.
(b) Fixed deposit fund valued at Rs. 67,328,710 had been deposited in the bank for generating interest revenue without being used for urban development.	Fund of the Council should be used for urban development.	Action is being taken to complete work schemes to be implemented from the fixed deposit.

### 3.3 Human Resources Management

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Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) 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 22 human resources had been delayed.	Action should be taken to fill vacancies of the cadre.	Relevant action is being taken.
(b) Action had not been taken by the Council to recover arrears of staff loans totalling Rs. 96,668 recoverable from 05 officers who had deceased and vacated their posts for over the last 07 years.	Legal action should be taken to recover the loan.	Action is being taken to write off arrears of employee loan.

### 3.4 Operating Inefficiencies

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
The Council had deposited Employees Provident Fund amount which entitled for 03 employees in the general deposit account without being paid to relevant persons.	Employees Provident Fund should be paid to relevant persons.	Action is being taken to pay this fund to relevant persons.

### 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>Recommendation</b>	<b>Comment of the Accounting Officer</b>
(a) Tractor bearing No. WDRB – 4214 had not been repaired even though approval of the engineer had been obtained for repairing.	Repairs of vehicles should be made in due periods.	Action is being taken to reduce the use of this tractor.
(b) Vehicles bearing Nos. EPJP – 8201 and EPJS – 7934 had not been repaired even though they had been damaged.	Repairs of vehicles should be made in due periods properly.	Action is being taken to write off these 02 vehicles.

### 4. Accountability and Good Governance

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#### 4.1 Budgetary Control

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
Recurrent expenditure such as travel expense, repair of capital assets, grants and assistance funds and pensions including in the budget of the Council had been saved more than actual expenditure, thus it was revealed that budget was non-efficient.	Budget should be prepared by considering proper plan of the budget and efficient operation of control instruments.	Not replied