

Chavakachcheri Urban Council
Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been submitted to audit on 24 March 2016 and the financial statements for the preceding year had been submitted to audit on 17 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Council on 28 September 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 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 2015 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Court fines for the year under review had not been brought to accounts. As such, the revenue had been understated in the accounts.
- (b) Even though all operations of electricity had been handed over to the Ceylon Electricity Board since the year 2009, action had not been taken to write off the stock balance of Rs. 241,156 of electricity store shown in the final accounts. As such, it had been shown in the accounts as balances without details.

1.3.2 Receivables

Action had not been taken by the Council to recover staff loan balances of Rs. 107,984 recoverable for over six years.

1.3.3 Lack of Evidence

One transaction valued at Rs. 1,093,190 could not be satisfactorily vouched or accepted in audit due to lack of evidences.

1.3.4 Non-compliance with Laws, Rules and Regulations

The following instances of non-compliance were observed.

Reference to Laws, Rules and Financial Regulations	Non-compliance
Urban Councils Ordinance Section 44(2)	Schedules of roads and lanes belonging to the Council had not been published in the Government Gazette.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Council for the year ended 31 December 2015 had resulted in an excess of income over recurrent expenditure of Rs. 32,567,828 as compared with the corresponding excess of income over recurrent expenditure of Rs. 26,332,911 for the preceding year. Increase of income was the reason attributed for this improvement in the financial results by Rs. 6,234,917.

2.2 Working Capital

According to the financial statements presented, the working capital of the Council for the year under review had resulted in Rs. 81,331,735 as compared with the corresponding working capital of Rs. 49,294,915 for the preceding year, thus indicating an improvement in the working capital by Rs. 32,036,820 for the year under review.

2.3 Revenue Management

2.3.1 Performance of Revenue Collection

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Secretary are given below.

Item of Revenue	Estimated	2015	
		Actual	Cumulative arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	6,683	6,996	9,562
Lease Rents	19,535	29,843	306
License Fees	791	637	-
Other Revenue	56,712	58,819	50,627
Total	83,721	96,295	60,495

2.3.2 Rates and Taxes

Arrears of rates and taxes of Rs. 9,561,530 had not been recovered during the year under review.

2.3.3 Rents

Rents of Rs. 306,275 had not been recovered by the Council during the year under review.

2.3.4 License Fees

License fees of Rs. 90,900 had not been recovered by the Council during the year under review.

2.3.5 Stamp Fees

Stamp fees valued at Rs. 47,948,181 had not been recovered from the Registrar General of Lands in the year under review.

3. Operating Review

3.1 Management Inefficiency

Idle Assets

- (a) Chavakachceri Fish Market building valued at Rs. 3,000,000 had remained idle for the period of one year without being utilized.
- (b) Deposits of Urban Development Authority of Rs. 1,079,378 had not been utilized for intended purposes.

3.2 Solid Waste Management

Solid waste activities had not been implemented under the purview of the Council.

4. Accountability and Good Governance

4.1 Budgetary Control

The budget estimate had not been prepared properly. As such, variances ranging from Rs. 119 to Rs. 2,336,406 between the budgeted expenditure and actual expenditure were incurred.

4.2 Internal Audit

Internal audit activities had not been carried out satisfactorily.

4.3 Audit and Management Committee Meeting

Audit and Management Committee meetings had not been held at the Council during the year under review.

5. Systems and Controls

Special attention is needed in respect of the following areas.

- (a) Vehicle Running Charts
- (b) Overtime Vouchers