

Vavuniya Urban Council
Vavuniya District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been submitted to audit on 31 March 2017 and the financial statements for the preceding year had been submitted to audit on 31 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Council on 13 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects 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 Vavuniya Urban Council as at 31 December 2016 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 Deficiencies

The following accounting deficiencies were observed.

- (a) Ownership of thirty one vehicles belonging to the Urban Council received as donation had not been transferred to the Council and values thereon had not been brought to accounts, thus the value of the motor vehicles had been understated in the accounts.
- (b) Ownership of sixteen vehicles belonging to the Urban Council issued as donation had been transferred to the Council. However, value thereon had not been evaluated and brought to accounts, thus the value of the motor vehicles had been understated in the accounts.
- (c) Kudiyiruppu Children Park had been leased out to the external institution for the period from the year 2012 to the auditing year. However, lease rent receivable thereon amounting to Rs. 250,000 had not been brought to revenue account, thus accumulated fund had been understated in the accounts.

1.3.2 Lack of Evidences

Seventeen transactions valued at Rs. 524,414 could not be satisfactorily vouched or accepted in audit due to lack of required evidences.

1.3.3 Non-compliances with Laws, Rules and Regulations

The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliances
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(a) Laws and Rules	
Section 44(2) of Urban Council Ordinance	Schedules of roads and lanes belonging to the Council had not been published in the Government Gazette within 3 years since the establishment of the Urban Council.
Section 54 (1) of Chapter III	Although the schedule in respect of rates and taxes should be handed over to the Secretary before 15 th November and payments should be made before 15 th December, it had not been implemented as well.
Section 171 of Chapter VII	Cash book and other registers had not been checked by the Secretary daily.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 316(2)	Registers in respect of daily cash balances and items kept in the safe custody had not been maintained.
Financial Regulation 381(3)	Security money had not been paid by the officers who were given authority to place the signatures in the cheques.
Financial Regulation 751(2)	Inventory register in respect of electrical equipment of the Council had not been maintained and recorded separately.
(c) Circulars	
Circular No. 41/90 dated 10 October 1990 of the Ministry of Public Administration and Home Affairs.	Consumption of fuel had not been tested to the vehicles of the Council.

1.3.4 Accounts Receivable and Payable

- (a) Meaningful action or legal action had not been taken to recover arrears of staff loan balance of Rs. 589,665 recoverable from the officers who were transferred out in the preceding years.
- (b) Retention money of Rs. 67,463 in respect of first, second and final payment of Barathy Community Centre had been kept in the deposit account since the year 2015 without being paid to the relevant contractors.

(c) No meaningful action had been taken to recover liabilities and arrears of debtors totalling Rs. 10,196,715 for a long period.

(d)

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Council for the year under review had resulted net surplus of Rs. 37,569,664 as compared with the corresponding net surplus of Rs. 10,846,353 for the preceding year, thus indicating an improvement in the closing financial results by Rs. 26,723,311 for the year under review.

2.2 Revenue Management

2.2.1 Performance of Revenue Collection

According to the schedule submitted for audit, rates and taxes recovered within the authority area of the Urban Council had been at low level rather than recoverable rates and taxes, thus arrears of annual rates and taxes had been increased. Details are as follows.

Year	Arrears
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	Rs.
31.12.2014	34,599,229
31.12.2015	38,197,727
31.12.2016	45,217,168

2.2.2 Rates and Taxes

Revaluation had not been done for assessment tax on properties for over the last 6 years, thus recovery of rates and taxes had been at low level.

2.2.3 Rents

- (a) Rents for the year under review and preceding years totalling Rs. 4,837,853 had not been recovered by the Council.
- (b) Even though rents have been recovered from the owners of the 82 stalls, a contract had not been entered with them since the date of handed over.
- (c) Even though rents have been recovered from the owners of the 276 stalls, recontract had not been entered with them.
- (d) No action had been taken to review and recover licence fees of business after the year 2009, thus the opportunities to improve the revenue had been lost.

- (e) Stalls belonging to the Council had been obtained by 265 contractors through calling tenders prior to many years. However, some contractors had sold those stalls to other persons and some contractors had rented out those stalls in high rates, thus receivable amount of Rs. 61,800,000 had not been obtained.

2.2.4 Court Fines and Stamp fees

Court Fines

Court fines of Rs. 5,216,117 for the year 2016 had remained as arrears without being recovered by the Council.

Stamp Fees

Stamp duty fees of Rs. 17,341,613 had not been recovered from the Registrar General of Lands in the year under review and preceding years.

2.2.5 Entertainment Tax

Entertainment tax of Rs. 1,138,190 for the year under review and preceding years had not been recovered by the Council

2.3 Management Inefficiencies

- (a) Ten vehicles obtained as donation had remained without registration books.
- (b) Twelve tractors had remained with damaged meter reading in the Council.
- (c) Out of 97 applications handed over to obtain the approval for changing the name, approval had been granted for 70 applications and approval had not been granted for 27 applications.
- (d) Out of 45 applications handed over to the Council to obtain approval for building in the year 2016, approval had been granted for 31 applications and approval had not been granted for 14 applications.
- (e) Library building fund deposits of Rs. 671,373 had remained without being utilized for intended purposes.
- (f) Approved cadre and actual cadre of the Council as at 31 December 2016 were 183 and 168 respectively. As such, 16 shortages were observed in audit.
- (g) A permanent room had not been used by the Secretary of the Council. Therefore, different rooms had been renovated annually through the fund of the Council and used by the Secretaries of the Council. Accordingly, a room constructed at a cost of Rs. 152,300 for the Secretary on 08 February 2016 had not been used by the Secretary of the Council who had taken over the post newly due to the former Secretary had been transferred out. It was observed that other room had been used as the room of the

Secretary, thus the fittings of the particular room had been removed and that room had been used as revenue division at present.

- (h) According to the section 8.9.1(b) of the Procurement Guidelines of 2006, a contract should be entered for the goods and services which have the value more than Rs. 500,000. However, a contract had not been entered for sports equipment of Rs. 1,713,000 purchased from the fund of the Council.
- (i) According to the item no. 166 of the contract and the estimate of the above work plan, a sum of Rs. 88,800 had been paid for filling 12 cube of sand. However, at physical verification carried out in this regard, above area had only been filled by 7.294 cube of sand. As a result, a sum of Rs. 53,976 had been overpaid.
- (j) According to the item no. D 13 of the contract and agreement of the above work plan, a sum of Rs. 178,043 had been paid for repairing of old sports equipment. However, such equipment had not been available in the park during the course of audit test checks.
- (k) One hundred and sixty two books valued at Rs. 26,584 had been lost at the Library of the Council. However, no meaningful action had been taken to obtain those books again.

2.4 Operational Inefficiencies

- (a) Work plans valued at Rs. 7,540,000 made in budget of the year under review had been completely abandoned.
- (b) Authority had not been granted by the Urban Development Authority to remove unauthorized buildings within the authority area of the Urban Council up to now. At physical verification carried out, there were identified 149 unauthorized constructions carried out at 14 places. However, no meaningful action had been taken to remove unauthorized construction works according to the provision of the urban development (amended) act no. 4 of the year 1982 of the Urban Development Authority.
- (c) A contract had not been entered by considering numbers and height of telecommunication towers which were constructed by 5 telecommunication institutions within the authority area of the Urban Council and any charges thereon had not been recovered up to now.

2.5 Contract Administration

Deficiencies relating to the public park of the Urban Council reconstructed at a cost of Rs. 9,768,256 are as follows.

- (a) According to the item no. D1, D2 of the contract and agreement of the above construction work plan, a sum of Rs. 777,200 had been paid to the contractor for earth filling and shuttering work of the park. However, rainy water retained in several places and ground was not flat level due to improper earth filling and shuttering.

- (b) According to the item no. D7 of the contract and agreement of the above construction work plan, a water fall should be constructed by using fiberglass valued at Rs. 200,000. However, entire water fall had been constructed by using cement at a cost of Rs. 199,995.
- (c) According to the item no. D10 of the contract and agreement of the above construction work plan, a sum of Rs. 125,000 had been paid to the contractor for chair and table sets. However, equal number of chair and table sets had not been constructed as per contract.
- (d) According to the item no. D04 of the contract and agreement of the above construction work plan, a inside road constructed at a cost of Rs. 493,080 had not been completed properly and there were cracks and damages on several places.
- (e) According to the item no. D05 of the contract and agreement of the above construction work plan, a sum of Rs. 36,457 had been paid to the contractor for laying grasses. However, it had not been done properly and such grasses had not been laid in many places.
- (f) Fiber sports equipment purchased at a cost of Rs. 1,713,000 by using the fund of the Council and fixed in the park. However, it was observed that there were cracks and damages on those equipment due to improper quality.
- (g) It was observed that a dummy bill had been prepared in respect of three phase electric equipment valued at Rs. 75,935 used for repairing Merico round sports equipment and submitted for audit.

2.6 Accountability and Good Governance

2.6.1 Annual Procurement Plan

Details such as date of the procurement decision made, name and post of the member who made decision, procurement decision no., copy for certifying the procurement decision etc. had not been made available in the procurement plan for the year under review.

2.6.2 Internal Audit

Internal auditor should be appointed in order to carry out the activities of the Sabha efficiently. However, reports on internal audit activities for the year under review had not been forwarded to audit properly even though internal auditor had been appointed in the Council.

2.6.3 Audit and Management Committee Meeting

Audit and Management Committee meetings should be conducted in order to carry out the activities of the Sabha efficiently. However, minutes of meeting had not been submitted for

audit properly even though Audit and Management Committee meeting had been conducted in the Council during the year under review.

2.7 Assets Management

(a) Idle Assets

Goods valued at Rs. 996,792 had remained idle at the store of the Council for over 02 years.

(b) Annual Board of Survey

Annual board of survey for the year 2016 had been carried out by the Council on 23, 24, 27, 28, 29 and 30 March 2017 and a report thereon had been submitted for audit on 05 April 2016.

2.8 Solid Waste Management

(a) There was not a suitable place to destroy solid wastes within the authority area of the Urban Council, thus solid wastes had been destroyed at the place which was being used for destroying wastes by the Vavuniya Tamil Pradeshiya Sabha with the approval of them.

(b) Solid wastes had been dumped without being segregated.

(c) Solid wastes had not been subjected to compost and recycle method.

3. Systems and Controls

Special attention is needed in respect of the following matters.

- (i) Utilization of vehicles
- (ii) Budget
- (iii) Collection of revenue
- (iv) Contract for rent of stalls
- (v) Fixed assets