

**Valvettithurai 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 2017 had been presented to Audit on 28 March 2018 and the Report of the Auditor General on those financial statements had been forwarded to the Chairman on 11 September 2018.

**1.2 Qualified Opinion**

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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 Valvettithurai Urban Council as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Policies**

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

**1.3.2 Accounting Deficiencies**

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The following matters were observed.

- (a) Six vehicles issued to the Council as donation had not been owned by the Council. However, the values thereof amounting to Rs. 1,640,500 had been brought to financial statements, thus the value of the motor vehicles had been overstated in the financial statements of the year under review.
- (b) Excess provisions totalling Rs. 251,030 made for completed works in the previous years had not been credited to accumulated fund up to now, thus accumulated fund had been understated in the financial statements of the year under review.

**1.3.3 Non-compliances**

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**Non-compliances with Laws, Rules, Regulations and Management Decisions**

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No meaningful actions had been taken by the Council to recover arrears of assessment tax on property totalling Rs. 3,747,336 in relevant period in terms of section 54 (2) of Chapter III of Urban Councils Financial Rule.

## 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 2017 amounted to Rs. 14,127,614 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 19,831,328.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual 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	2017				2016			
	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	790,000	433,639	764,485	3,747,337	800,000	350,918	766,922	4,782,089
Rentals	5,682,000	–	3,570,082	–	4,680,000	–	14,158,866	–
License Fees	738,500	–	839,645	–	835,000	–	703,020	–
Other Revenue	7,848,500	–	15,882,683	30,386,890	8,907,000	–	11,243,286	27,387,886
	<b>15,059,000</b>	<b>433,639</b>	<b>21,056,895</b>	<b>34,134,227</b>	<b>15,222,000</b>	<b>350,918</b>	<b>26,872,094</b>	<b>32,169,975</b>

#### 2.2.2 Rates and Taxes

No meaningful actions had been taken by the Council to recover arrears of rates and taxes totalling Rs. 3,747,337 for the last 01 year to 14 years.

## 3. Operating Review

### 3.1 Performance

#### Solid Waste Management

Wastes had been dumped and burnt at disposing place of the wastes without being segregated, thus it was observed an environmental pollution situation.

### **3.2 Management Inefficiencies**

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The following matters were observed.

- (a) A total sum of Rs. 7,228,387 collected for constructing a public library and a cultural center had been kept in the fixed deposit for the last two years without being taken actions to utilize it for intended purposes.
- (b) A property obtained by the Council in a lease basis to construct a public park had not been utilized for intended purpose up to now. However, a sum of Rs. 298,800 had been paid by the Council as lease charges for the last four years.

### **3.3 Human Resources Management**

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It was observed that the Council had not recruited and deployed human resources properly, thus works to be completed by such 09 human resources had been delayed.

### **3.4 Operating Inefficiencies**

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Permission had not been obtained for cremation of body in 05 Hindu cemeteries belonging to the Council and no meaningful actions had been taken by the Council to recover cemetery tax for it.

### **3.5 Assets Management**

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#### **3.5.1 Failure to hand over Assets**

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A land cruiser vehicle being used by the Council had not been owned by the Council.

#### **3.5.2 Idle Assets**

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The following matters were observed.

- (a) Three vehicles belonging to the Council had remained idle for the last 05 years.
- (b) No meaningful actions had been taken by the Council to rent out 11 stalls located in floor "A" of the new market building complex at Valvettithurai in the year under review.

## **4. Accountability and Good Governance**

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### **4.1 Budgetary Control**

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Variances ranging from Rs. 92,711 to Rs. 6,576,449 or from 03 per cent to 101 per cent between the budgeted revenue and actual revenue and from Rs. 3,279 to Rs. 6,018,843 or 05 per cent to 15 per cent between the budgeted expenditure and actual expenditure were observed.

#### 4.2 Unresolved Audit Paragraphs

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No actions had been taken up to now in respect of the following observations pointed out in the audit reports in preceding years.

<b>Year</b>	<b>Audit Paragraph Number</b>	<b>Audit Observations</b>
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2012 and 2013	2.4.5	Expenses of new building opening ceremony amounting to Rs. 74,330 had been paid from the fund of the Council contrary to the section 159(1) of Chapter 255 of Urban Councils Ordinance.

#### 5. Systems and Controls

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Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

<b>Systems</b>	<b>Deficiencies</b>
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Accounting	Failure to maintain register of tax on land sales.