

Valvettithurai Urban Council

Jaffna District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 27 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman of the Sabha on 15 July 2020 and 31 August 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section 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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Accounting Deficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
Overstated the liabilities amount shown in financial statement and understated the accumulated fund, due to provision of Rs. 675, 000 has been transferred to sundry creditor accounts. Even though 03 capital works has not been stated in the year under review.	Works has not been started due to the unavoidable circumstances	Action should be taken to adjust in the not yet started capital works and include amounts of sundry creditor accounts.

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	Comments of the Accounting Officer	Recommendation
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(a) Section 157 of Chapter VI of Urban Council Rule Sub section 6(e)	No action had been taken to unauthorized advertisement at Rs. 53,150.	Action has been taken to recover.	Action should be taken in the due period in terms of Act.
(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 totalling Rs.5, 736,117.	Action will be taken to recover arrears of assessment tax on property.	Appropriate action should be taken in terms of Urban Councils Rule.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
No. 371	Advances valued at Rs. 85,000 paid by the Council had not been settled up to now.	Will be adjusted after getting approval.	Appropriate action should be taken in terms of Financial Regulation.

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 2019 amounted to Rs. 13,625,211 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 5,733,352. As a result, the revenue over recurrent expenditure has increased to Rs. 7,891,859 as compared to the previous year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year is given below.

Source of Revenue	2019			2018		
	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,737,379	5,185,295	5,736,117	2,406,500	1,727,713	4,538,640
Rentals	3,652,100	4,432,052	-	2,873,850	3,700,781	47,000
License Fees	729,100	745,250	-	734,500	716,355	-
Other Revenue	66,859,690	55,351,110	5,196,616	50,362,500	47,264,939	11,617,089
	<u>75,978,269</u>	<u>65,713,707</u>	<u>10,932,733</u>	<u>56,377,350</u>	<u>53,765,238</u>	<u>16,202,729</u>

2.2.2 Rates and Taxes

Audit Observation

No action had been taken to recover arrears of assessment tax on property of the Council totalling Rs. 5,210,372.

Comment of the Accounting Officer

Appropriate action is being taken to collect the arrears.

Recommendation

Appropriate action should be taken to recover the arrears in the periods.

2.2.3 License Fees

Business License Fees

Audit Observation

No action had been taken to recover license fees for telecommunication towers totalling Rs. 10,000.

Comment of the Accounting Officer

Action will be taken to recover

Recommendation

Appropriate action should be taken to collect the arrears in the due period.

2.2.4 Stamp Fees

Audit Observation	Comment of the Accounting Officer	Recommendation
Stamp fees totalling Rs.278,836 had to be received from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Action has been taken to recover.	Appropriate action should be taken to collect the arrears in the due period.

3. Operating Review

3.1 Performance

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.

By-Laws

Audit Observation	Comment of the Accounting Officer	Recommendation
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 05 functions even by 31 December 2019.	Action will be taken to prepare the by-law.	Action should be taken in term of Urban councils rules.

3.2 Management Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Fixed deposit valued at Rs.62,220,310 had been deposited in the bank in order to generate interest revenue without being used for urban development purpose.	Action is being to purchase the land for the operation of the solid waste.	Action should be taken to utilized of the development purpose of the deposits.
(b) No action had been taken to recover tax and to include the values of 05 cemeteries in the financial statements.	Action will be taken to recover tax after legally handed over to urban council.	Action should be taken to include in the financial statement of the value of cemeteries.

3.3 Human Resources Management

Audit Observation	Comment of the Accounting Officer	Recommendation
The Council had not recruited and deployed human resources properly. As a result, it was observed in audit that works to be completed by such 10 human resources had been delayed.	Action will be taken to fill the vacancies.	Appropriate action should be taken to fill the vacancies in the due period.

3.4 Operating Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) No action has been taken to settle the payment of Rs. 214,605 of the Renovation of theeruvil park.	Has not been released the amount until now.	Action should be taken to settle the payment in the due period.
(b) Even though observed that function the animal farm without approval of the officers and there was an ongoing court case since 2017 and these expenses has not been disclosed as incurring liabilities in the financial statements.	It has to be disclosed as incurring liabilities in the financial statement.	Estimate the incurring liabilities of related court case of the councils and should be disclosed in the financial statement.
(c) Even though two court cases related land are being ongoing in 2002 against the council. The expenses were disclosed in the financial statements.	The expenses was not disclosed in the financial statement due to the expenses were made after the provision of expenses heads.	Estimate the incurring liabilities of related case of and should be disclosed in the financial statement.

3.5 Assets Management

3.5.1 Assets not acquired

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) No action had been taken to transfer ownerships of one vehicle to the Council.	Action will be taken to re-hand over to the vehicles.	Action should be take in the due period.

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| (b) | No action had been taken to transfer ownerships of land value at Rs.6,660,000. | Action has been taken to receive the new documents. | Action should be taken to transfer ownership in the due period. |
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3.5.2 Idle Assets

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) The lease Rs. 298,800 was paid for the land in 2013 to construct the public park but public park were not constructed.	Park constructed project was delay since the expected fund was not received.	Action should be taken to identify the source of fund whenever the project a plan.
(b) The urban council was loss the revenue income because has not been rent 11 shops and open hall of new market complex.	A change the proposal plans are being submitted for alternative use.	Appropriate action should be taken to utilize the construct shopping complex by the Council.
(c) No action has been taken to repair or sell the one tractor and Tractor bowser which are not in use for long time.	Action will be taken.	Appropriate action should be taken to relate unused vehicles in the due period.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Expenditure budget was inefficient due to different between budgetary expenditure and actual expenditures.	Not replied.	Appropriate action should be taken to plan proper budget system.

4.2 Unresolved observations and non-replied audit Queries

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
No action had been taken up to now in respect of observations of the audit report of Auditor General for the years 2012 and 2013 examined by the Provincial Committee on Public Accounts.	Was reported to concern by us about the actions taken in time to time.	Action should be taken in respect of report of the provincial Committee Accounts/ Query.