

Vavuniya Urban Council

Vavuniya District

1.1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to Audit on 28 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 22 June 2020 and 22 July 2020 respectively.

1.2 Qualified Opinion

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 Vavuniya 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

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
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The value of assets is underestimated in the financial statements due the fact that the number of 40 lands were not valued and taken into the accounts for more than 10 years.	The values of all the assets of the council should be mentioned the value and disclosed in the accounts.	Out of the no of 40 land used by the council, no of 15 land have been relinquished to us and we have requested the Vavuniya Divisional Secretary to parole the rest. However, we have not yet been notified of the actions taken.

(b) Lack of Written Evidences for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
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Three account items valued at Rs. 626,776,162 could not be satisfactorily vouched or accepted in audit due to non-submission of fixed assets registers	Certifying evidences of account balances shown in the financial statements should be submitted to audit.	The amount of Rs. 626,776,162 mentioned by them is related to land buildings. Activities are being carried out through the Divisional Secretary, Land Survey Department and Valuation Department regarding the valuation of lands belonging to the Urban Council.

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) Urban Councils Ordinance			
Section 54 (2) of Chapter III	Recoveries had not been made in due periods	Should act as per instructions of Urban Councils Ordinance.	Property tax arrears continue to be collected by the distaining officer. Past balances are collected through field inspection.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 751(2)	An inventory register had not been maintained for electrical connection items of the Council separately and recorded entries.	Should act as per instructions of Financial Regulations.	The inventory for electrical connections in the council kept separately and not recorded.

(ii)Financial Regulation 571(2)and (3)	Action had not been taken in respect of 14 lapsed deposits valued at Rs. 565,921.	Should act as per instructions of Financial Regulations.	All deposits past the refundable period are settled. In others UDA deposits are for buildings constructed without permission by the respective authorities. The deposit of 10% per annum is deducted annually and transferred to the council income until appropriate action is taken.	
(iii)Financial Regulation 371(5)	Action had not been taken to settle a sum of Rs. 74,084 remained in the advance account for a long time.	Should act as per instructions of Financial Regulations.	Clarifications have been received from the officers on duty in this regard and follow up action is being taken.	
(c) Procurement Guideline of the Democratic Socialist Republic of Sri Lanka	Section 178(3)	A register including names of community based organizations and community centers which carry out contract works effectively had not been prepared.	Should act in terms of Procurement Guidelines.	Community level organizations and community centers that have carried out efficient contract work have been identified and a proper record has been maintained since 2020.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs. 69,326,342 as compared with the corresponding the revenue over recurrent expenditure of the preceding year amounted to Rs. 71,516,844.

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	2019				2018			
	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	23,562,046	63,089,570	23,622,569	39,527,523	23,512,046	24,788,149	23,383,989	41,245,333
Rentals	41,276,025	44,789,248	31,532,168	3,513,223	42,058,834	36,094,056	35,901,420	5,300,770
License Fees	2,565,000	2,565,000	2,410,455	--	2,510,000	2,167,702	2,167,702	--
Other Revenue	65,095,000	105,964,407	72,611,420	40,869,407	56,331,000	54,783,351	63,185,799	36,594,039
Total	132,498,071	216,408,225	130,176,612	83,910,153	68,137,211	117,833,258	124,638,910	83,140,142

2.2.2 Performance in Collection of Revenue

Audit Observation

Budget estimate had not been prepared properly and planned and programmed in a proper manner, thus variances ranging from Rs.60,523 to Rs. 9,743,857 between the budgeted revenue and actual revenue were incurred.

Recommendation

Budget should be prepared properly.

Comment of the Accounting Officer

Not Replied

2.2.3 Rates and Taxes

Audit Observation

It was observed that no meaningful actions had been taken to recover arrears of rates and taxes total Rs. 38,195,296 for the last 01 to 05 years and reassessment of tax on property also had not been carried out for over the last 07 years, thus accuracy of recovery of rates and taxes and arrears could not be satisfactorily vouched or accepted in audit.

Recommendation

Actions should be taken to recover rates and taxes and also Re-assessment should be carried out.

Comment of the Accounting Officer

Confirm that outstanding lists have been issued to the distraining officer for collection of arrears and also many mobile services have been carried out.

2.2.4 Rentals

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) No action had been taken by the Council to recover rents receivable total Rs. 3,513,223 for the last 01 to 05 years.	Actions should be taken to recover the rents of all stalls under the purview of the Council.	Rental lease arrears to be collected Rs. 1,765,167 has been collected and actions are being taken to clear the arrears.
(b) Rental contracts had not been entered in respect of 58 stalls belonging to the Council which was rented out for the last 01 to 47 years.	Actions should be taken to enter rental contracts.	Out of stalls which not entered contracts, many stalls had been transferred. Further, stalls were sold or rented-out and some of them went abroad, thus contract had not been entered. In addition to that, it is informed you that continuous action is being taken in respect of transferring ownership without informing us.
(c) Contract period of 315 stalls and lands belonging to the Council which was rented out had been ended and period of 01 to 33 years had been lapsed. However, and they were being used without contract had not been entered again.	Actions should be taken to enter contracts again.	Action is being taken to renew contracts by issuing notice to the stalls which was not entered contracts.

2.2.5 Court Fines and Stamp Duties

(a) Court Fines

Audit Observation	Recommendation	Comment of the Accounting Officer
The value of court fine total Rs. 20,718,657 has to be recovered from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Action should be taken to recover court fines in due periods.	With a balance of Rs. 4,472,643 due for the remaining quarter of the court penalty for 2019, these can be obtained in 2021. Please be informed that action has been taken to obtain other balances.

(b) Stamp Duties

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The value of stamp duties total Rs. 20,150,750 has to be recovered from the Chief Secretary of the Provincial Council and all authorities as at 31 December 2019.	Action should be taken to recover stamp fees in due periods.	A letter has been sent to the Vavuniya District Land Registrar to confirm and receive the stamp duty arrears for the year 2019. Kindly inform you that action will be taken to get the fee for this as soon as the confirmation for the land records is received.

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.

(a) Delays in Performance of Activities

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Twenty seven contract works valued at Rs.43,237,143 carried out by the Council had not been completed in the year under review. However, reasons therefore had not been made available to audit.	Action should be taken to complete works in due period as per works planned	A batch of work was offered through the community centers as per the resolution of the council although most of the work was not completed by them. Also, the contractors did not come forward to carry out the work of the 'Camberalia' project despite our open questions. Due to this, the work was eventually implemented through the cooperative society.

(b) Solid Waste Management

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Environmental license had not been obtained for the places of garbage disposing.	License should be obtained.	Talk to the Central Environmental Authority in this regard, where there is a need to obtain an environmental permit after making some amendments and development work.

- (ii) Training had not been provided to officers in respect of waste management. Training should be provided to officers. In the past, workers have been trained on solid waste management.
- (iii) Has not been maintained an information and data system by the Sabha for required to waste management. Data and information in respect of waste management should be prepared systematically. Proper data records related to this are maintained. Further data-based methods are being sought.

3.2 Management Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a) A sum of Rs. 9,729 had been spent by the Council for printing and supplying "K" form for the year under review. However, 1692 forms had remained at the Council as the officers who issued such forms had not been worked efficiently. No actions had been taken by the responsible officers in this regard.	Action should be taken to issue forms completely.	Not Replied
(b) Two vehicles obtained as a donation had remained without registration books.	Ownership of the assets should be certified.	Action has been taken to provide vocational training centers as both vehicles are unusable as per our Council Resolution No. VUC/2019/11/25
(c) Library building fund of Rs. 474,293 had been retained in general deposit account for over the last 05 years without being used for intended purpose.	Should act as per instructions of relevant rules.	Only one of the deposits is referred to as a library deposit. The other deposit is kept as a public deposit. Please be informed that the fixed deposit interest will be available to the Board as income and will be used when development is required.
(d) A person had encroached a land in extent of 7 perch belonging to the Council independently and run an enterprise. No actions had been taken by the Council to take legal action in this regard in terms of section 255 of Urban Councils Ordinance.	Ownership of the assets should be certified.	Not Replied

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) Vacancies of Cadre		
----- Thirty seven staff vacancies of the Council had not been filled as at 31 December 2018.	Action should be taken to fill vacancies in due period.	Letter has been sent to get the permission of the Department of Management Services to fill the vacancies that can be filled externally. The appointment can be made only after the approval is obtained. Further the Secretary to the Treasury has been advised not to make any appointments till further notice as per their DMS/Policy/Recruitments Circular No. 2019.11.20.
(b) Staff Loan		
----- Meaningful and legal actions had not been taken by the Council to recover arrears of staff loan total Rs. 93,795 recoverable from 02 officers who had resigned, retired and deceased from the post.	Should take action to recover the relevant staff loan arrears	Action has been taken to apply and receive from the E.T.F Company for his E.T.F payment value to recover the outstanding debt of the dismissed officer.
(c) Employee Securities Deposits		
----- Two officers had been resigned from the Council for a long period. However, action had not been taken to refund a sum of Rs. 16,153 included in the employee security deposits.	Action should be taken to refund security money.	As requested by the relocates, the Chief Librarian stated that he could not pay the staff bail for some of the books in the library as they were lost, so action was taken to set up a committee and collect from the concerned officials on the recommendation of the committee. Would like to inform you that action will be taken to pay the employee bond after the compensation amount is paid.

3.4 Operating Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a) No meaningful actions had been taken to carry out reassessment of properties under the purview of the Council and recover assessment tax on properties for over the last 08 years.	Actions should be taken to carry out reassessment of properties.	It has repeatedly sent letters to the Department of Taxation to re-evaluate the properties in the municipal areas but no action has been taken so far.
(b) Action had not been taken by the Council to issue certificate of conformity to 327 parties out of persons who obtained approval for building up to now.	Should act as per instructions of relevant rules.	The conformity certificate is issued only after the building permits have been obtained and the constructions have been completed and applied for by them. This will be the focus of the future.

3.5 Assets Management

3.5.1 Failure to record Assets

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
According to the financial statements submitted, disclosures had not been made in respect of 50 land and buildings belonging to the Council and register of land and buildings also had not been maintained by the Council properly. Ownership of such assets belonging to the Council had not been certified through the proper verification of land and buildings as well.	Land and buildings should be verified and ownership of such assets belonging to the Council should be certified.	Not Replied

3.5.2 Failure in carrying out Maintenance and Repairing

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Ten vehicles of the Council had remained idle for a long period. No action had been taken either to use or to sell them by following a proper procedure in this regard up to now.	Actions should be taken to use by repairing them as a usable manner or to sell.	The vehicles were recommended for sale by the Scrap Force and applications were sent to the Department of Motor Vehicles in 2018 for deregistration. However, due to the delay of the department, action is being taken to re-apply. These vehicles will be sold after cancellation.

3.5.3 Idle/Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) Goods valued at Rs. 2,634,997 had remained idle at the store of the Council for over 04 years.	Action should be taken to use	Although there were items worth Rs. 3,122,254 in the council's warehouse in 2018, Rs. 487,257 items worth were used. Is constantly being using.
(b) Kurumankaadu Elders park had been completed at a cost of Rs. 2,534,837 by the Council under the work scheme of Specific Development Grant on 18 June 2018. However, it had remained idle up to now.	Action should be taken to use it.	As some more essential works have to be complete in Kurumankadu Elders Park, we will make full use of them once they are completed.

3.5.4 Assets not acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
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(i) No action has been taken to transfer ownership of 03 Vehicles donated to the Council.	Appropriate action should be taken to transfer ownership.	All three vehicles were forwarded to Department of Motor Traffic to transfer of title to our Council by us in due course through the Vavuniya Divisional Secretariat. It has not been claimed for a long time.
(ii) No action has been taken to transfer ownership of the 50 land such as office of the Sabha, cemeteries, library, playground, public market and community centre.	Action should be taken to transfer ownership	Not Replied

3.5.5 Annual Board of Survey

Audit Observation	Recommendation	Comment of the Accounting Officer
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Action had not been taken in term of public finance circular no; 438 of 13 November 2009. Respect of 342 Categories of the goods stated as unusable in the report on annual board of survey of the last year in term of the preceding until now.	Should be acted as per the Circular instructions.	Price assessed in accordance with Public Finance Circular No. 438 No. 43 of 2009 regarding 342 items which could not be put to use by the Annual Appraisal Board last year. The auction was held on 27.03.2020 and the demolition activities were completed but are not completed due to COVID-19 currently action is being taken.

3.6 Procurement

3.6.1 Contract Administration

Audit Observation	Recommendation	Comment of the Accounting Officer
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24 Construction works valued at Rs.3,576,226 estimated and started in the year under review had not been completed up to date of this audit.	Should be acted as per the circular instruction	Not Replied

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comment of the Accounting Officer
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It was observed that different between Rs.18786 to Rs.13,468,119 the budget expenditure and actual expenditures. It was indicated that budget had not been made used of as a control instrument of the management.	Budget estimate should be prepared properly.	Approved cadre is being prepared for 183 cadres while preparing the budget for the personal enumeration. However, since the payments are made on a actual cadre basis, there is a difference between budget value and actual value.