

Anuradhapura Municipal Council

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 01 April 2016 while Financial Statements relating to the preceding year had been submitted on 16 June 2015. The Auditor General's Report relating to the year under review was sent to the Municipal Commissioner of the Council on 31 August 2016.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Anuradhapura Municipal Council as at 31 December 2015 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

Following matters are observed.

- (a) Although the annual lease rent for the year under review according the Register of Stalls Rent was Rs. 19,288,309, that value had been shown as Rs. 25,234,179 in the financial statements.
- (b) Value of 16 vehicles totaling Rs. 9,344,384 mentioned in the statement of fixed assets submitted with the financial statements were not in the possession of the Sabha. Due to that; value of fixed assets had been overstated to that extent.
- (c) Value of 02 vehicles totaling Rs. 7,600,000 provided through the Central Environment Authority for the Pilisaru Project had not been included in the statement of fixed assets submitted with the financial statements.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, while operational surplus of the Anuradhapura Municipal Council for the year ended 31 December 2015 was Rs.131,050,243 as compared with the corresponding operational surplus for the preceding year amounted to Rs.50,146,300.

2.2 Revenue Administration

2.2.1 Rates

Necessary course of action in terms of Section 242 of the Municipal Councils Ordinance No.16 of 1947 had not been taken for the recovery of Rates in arrears amounting to Rs. 78,550,122 as 31 December 2015.

2.2.2 Stalls Rent

Action in terms of rent agreement had not been taken for the recovery of Stalls Rent in arrears amounting to Rs. 42,819,703 as at 3 December 2015.

2.2.3 Other Revenue

While it was revealed that paddy lands in extent of 39 acres and 72 perches belong to the Council are used for cultivation by outside parties, a procedure had not been prepared to identify those paddy lands and recover yield tax.

03. Operational Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Value of 07 vehicles running for daily activities had not been identified and included in the Register of Fixed Assets.
- (b) Legal steps had not been taken to recover money relevant to 59 dishonored cheques received from the year 2001 to the end of the year under review totaling to Rs. 876,926.
- (c) Action had not been taken to pay Audit Fees Payable amounting to Rs. 2,778,162 relevant about 10 years even as at 27 May 2016.

- (d) Certain Lands and Buildings belong to the Municipal Council had not been identified, assessed and disclosed in the financial statements.
- (e) Necessary action had not been taken to identify Deposits which had exceeded two years shown in the General Deposits account amounting to Rs 8,638,381 and credit those to revenue.
- (f) A separate Register of Fixed Assets had not been maintained in terms of Treasury Circular No. IAI/2002/02 dated 28 November 2002. for Computer Accessories and Software amounting to Rs. 5,815,880 belong to the Council.

3.2 Assets Management

Idle Assets

- (a) Three vehicles totaling Rs. 4,130,000 shown under Fixed Deposits in the financial statements had been kept idle without being utilized for relevant works during the year under review.
- (b) Five vehicles of which particulars including value not shown under Fixed Deposits in the financial statements had been kept idle without being utilized for relevant works during the year under review.

3.3 Contracts Administration

- (a) A sum of Rs.1,094,790 had been spent during September 2015 for spreading metal and tarring 307 meters in the final section of the 8th Lane in the Mahanama Garden. At the physical inspection carried out on 20 May 2016, it was observed that the road had been cracked, metal had got loosened and road had been downcast to a large extent of the tarred section. Under that situation, it was observed that the Project had not been performed to the specified standard. Similarly, although a sum of Rs. 47,826 had been paid under work Items 3.1 and 3.2 to supply 26.99 cubic meters of gravel, spread on the two side of the road to make the shoulder of the road, that work had not been performed.
- (b) A sum of Rs.1,616,699 had been spent for spreading metal and tarring 389 meters of the 8th Lane in the Pandukabhayapura. According to the measurements taken at the field inspection, tarred distance was 373. Accordingly a sum of Rs. 57,162 had been overpaid for 16 meters not tarred. It was observed at the physical inspection carried out on 26 May 2016 that most of the parts of the tarred section of the road had been cracked and downcast, and metal had been in a condition to be get almost loosened, due to non-performance of work up to the specified standard without proper supervision.
- (c) A sum of Rs.1,279,510 had been spent during February 2016 for development by tarring 128 meters in the last section of the 11th Lane in the Ratnayakepura. at the field inspection carried out on 20 May 2016 it was observed that excess payment of 142,536 had been made.

4. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contracts Control