

Anuradapura Mucipal Council
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial statements for the year 2017 was presented for the audit on 29 March 2018 while the Auditor General's Report relating to the year under review had been submitted to the Mayor on 28 September 2018.

1.2 Disclaimer Opinion

According to the paragraph 1.3 of this report I could not obtain adequate audit evidence a basis for an audit opinion, therefore I will not comment on these financial Statements.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The Following facts were disclosed.

- (a) According to the ledger the assessment tax payments and the surcharges relevant to the year under review amounted to Rs.71,266,393 but it had been recorded in the income and expenditure account as Rs.65,008,065 and therefore income for the year was understated by Rs.6,258,328.
- (b) The garbage machine and the compost fertilizer machine worth Rs.9,870,000 provided by the North Central Provincial Department during the year 2017 had not been accounted in the books of accounts.
- (c) Although the value of cars and carts according to the Balance Sheet records were Rs.99,462,571 according to estimate reports it was Rs.89,555,872 but the revalued amount had not been accounted.
- (d) From the Door to Door Village to Village Program 2014, the weekllystall belong to the Anuradhapura Muncipal Council was constructed and modernized during the year 2015 by spending Rs.4,477,042 by the East Nuwaragam Provincial Secretariat Office and handed over to the Muncipal Council during January 2017, but due to the above value of constructions not being recorded, the Fixed Assets and Capital accounts which contribute to the revenue had been understated.
- (e) The 2 development projects belonging to the Muncipal Council of Anuradapura which was developed by the North East Local Government Service improvement project as at 31 December during the year under review worth Rs.46,888,185 had not been accounted under Fixed Assets, Due to this fixed assets and accounts which contribute to revenue was understated.

- (f) During the year under review audit charge were not accounted and set aside.
- (g) Non - valued 10 lands and buildings constructed by the Council where the ownership had not been confirmed were not estimated and recorded in the Financial Statements.

1.3.2 Lack of written evidence for audit and limited scope

 The Following Facts were disclosed.

- (a) While checking the reports presented for audit, regarding the salary and allowances from the year 2014 to June 2018 it was observed that there had been a salary fraud of about Rs.39,541,400. The validity of the financial statements of the Muncipal Council could not be determined due to the fraud and failure to submit the payment transmission details from the relevant private bank which had not been submitted for audit.
- (b) Due to the house rental documents relevant to house rent valued Rs.2,168,708 the updated deposit document relevant to the refundable deposits valued Rs.101,625,234 and donation documents relevant to donations valued at Rs.35,585,046 not being submitted, they were not verified satisfactorily during the audit.

1.3.3 Non - Compliance

 1.3.3.1 Non – Compliance with Laws, Rules and Regulations.

 Instances of non – compliance with Laws, Rules and Regulations etc observed in audit are shown below.

<u>Reference to Laws, Rules and Regulations</u>	<u>Non-Compliance</u>
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 396	Action had not been taken regarding 9 cheques dated 6 months ago but not been presented the bank for payment worth Rs.13,096.
(ii) Financial Regulation 571 (i)	A list of all the expired deposits had not been prepared at the end of every six months.
(b) Public Administration Circular No.30/2016 dated 29 December 2016	A vehicle emission test had not been carried out for the vehicles belonging to the council.

(c) Treasury Circular Bearing No.1A1/2002/02 dated 28 November 2002

There was no fixed asset record of Computer, Computer Accessories and Software.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the council for the year ended 31 December 2017 amounted to Rs.73,677,445 as compared of the corresponding excess of revenue over recurrent expenditure for the preceding year according to the financial statements submitted amounting to Rs.31,128,550.

2.2 Financial Control

The following facts were disclosed.

- (a) Steps have not been taken to recover the deposit cheques exceeding 4 months and not been credited to the account valued Rs.87,250 according to the Financial Regulation No. 187 and 156.
- (b) 5 return that were received relevant to the account No.0001471847 until the end of the year was valued at Rs.179,533 and action had not been taken relevant to the Financial Regulation 486.

2.3 Revenue Administration.

2.3.1 Estimated Revenue, Actual Revenue and Arrears Revenue

(a) Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below.

(b)

Type of income	The balance brought forwarded as at 01 January 2017	The billed revenue for the year 2017	Revenue collection during the year 2017	The Value of arrears as at 31 December 2017
	Value. Rs.	Value.Rs.	Value.Rs.	Value. Rs.
Assement tax	84,012,328	65,001,600	66,479,382	82,534,546
Stamp fee	30,009,000	30,000,000	-	60,000,000
Trade	2,676,798	14,967,545	15,417,177	2,227,166

license				
House rent	1,687,008	715,447	233,747	2,168,708
Shop rent	28,036,251	17,245,772	7,674,952	37,607,071
Public market rent	3,904,568	5,666,445	6,477,414	3,093,599
Court Fine	2,350,620	429,416	-	2,780,036
Total	<u>152,667,573</u>	<u>134,026,225</u>	<u>96,282,672</u>	<u>190,411,126</u>

The Following facts were disclosed.

- (a) Although the revenue arrears totalled Rs.152,667,573 as at 01 January 2017 there was no document maintained regarding the revenue and the revenue arrears could not be verified.
- (b) The housing rent and the stamp charge were Rs.1,687,008 and Rs.30,000,000 respectively as at 01 January 2017 while as at 31 December 2017 the values were increased as Rs.2,168,708 and 60,000,000.

2.3.2 Rates

Assessment rate arrears amounted to Rs.82,534,546 as at 31 December during the year under review had not taken action to recover the sum according to Municipal Council Ordinance 252 (Authority 252).

2.3.3 Shop rent arrears

Shop rent arrears amounted to Rs.40,700,670 as at 31 December during the year under review had not taken action to recover the sum according to Municipal Council Section 253 (Authority 252).

2.3.4 Trade license.

Action had not been taken regarding the trade license arrears of 159 trade centers amounted to Rs.2,227,166 as at 31 December during the year under review according to the Municipal Council Section 254 (a) (Authority 252).

3. Operational review

3.1 Performance

- (a) The following reveals the regulation and control of matters according to section 4 of Municipal Council Ordinance and control issues of public roads, people's succession, facilities and welfare services fulfilled by the council for the convenience and wellbeing of the people.

(b) By laws.

Although by laws should have been imposed in order accomplish 32 issues according to section 272 of the Municipal Council Ordinance, but according to the Local Government Minister of Housing development and Constructions under section 2 of the Local Authorities Act No. 06 of 1952, the extra ordinary gazette no 1477 dated on 2006 December 22 published by the Local Authorities No. 541/17 of 20 January 1989, Standard national published. These tasks had not been properly implemented in the year under review.

(c) Action Plan

The following activities had not been confirmed in the audit that hence there not carried out, specified in the section 272 (252 Authority) of the Municipal Council Ordinance due to tack of annual action plan.

- (i) The approved staff according to the updated Organizational Structure for the year 2017 and the performance and progress indicators of the already existing staff.
- (ii) Based on the objectives to be achieved during the year the action plan prepared according to the plan and the timing of the activities and the expected outcomes.
- (iii) Since all the procurement activities have not been done in the procurement plan mentioned in the main procurement plan, sowhether the procurement council has maximized their contribution towards the procurement purposes.
- (iv) Whether the required money needed for the expenditure incurred by the government or provincial council had been obtained with proper requisition.
- (v) Whether one was updated to charge income under revenue streams and charged on a timely basis with the Muncipal Commissioner's orders according to relevant ordinance to recover unpaid income.
- (vi) How for the Internal Audit has been sufficiently conducted and the internal control of the institution been rectified.

(d) Solid Waste Management

The council received Rs.5,040,000 worth garbage machine and Rs.4,830,000 worth compost machine by the Department of Local Government. The 18 tons of decaying waste collected on a daily basis to be decomposed and 23 tons of non decaying waste to be burned, the relevant machines had no sufficient capacity and it was reported that the maximum use of the machine had not been taken out of it's available capacity.

(e) Environmental issues

-
- (i) 75 percent of the garbage collected in about 41 tons of daily waste collected from the Municipal Council area was undecaying waste while it had been buried and covered by soil in the Keerikkulama area, it was foreseen that environmental and social issues could arise in future.
 - (ii) Steps have not been taken to remove the unlawful constructions near the Koombichchankulama lake reserve, Vanniyankulama Lake Reserve and Ponnaramkulama Lake Reserve situated under the Anuradhapura Municipal Council area and controlled under the Irrigation Department. Construction of unauthorized structures in the Nuwara wewa and Tisa wewa anicuts Providing drinking water for urban needs were 275 and 130 while in the drinking water was being polluted and the people in the urban are faced various health issues due to the unauthorized constructions.
 - (iii) Any action was taken regarding the cleanliness of the hotels in shop of Anuradhapura Municipal Council area which was selling unsuitable or expired foodstuff to the consumers, according to the provisions of the Food Act No.26 of 1980 as amended by the Food Act No.20 of 1991.

(f) Sustainable development goals

Since the Municipal Council was not aware of the United Nations' sustainable development goals 2030 on the Agenda of the United Nations, none of the measures taken to achieve sustainable development targets during the year under review.

(g) Annual performance report

Despite the capital expenditure worth Rs.75,018,650 and recurrent expenditure worth Rs.407,163,600 incurred by the Municipal Council for the year 2017 a performance report on the achievement of objectives had not been prepared regarding the mission statement for the prosperity of the residents who live in the city limits and the citizens who visit the city, using all the resources of the Municipal Council in order to be people friendly, environmentally friendly legal existence, establishment of set of suggestions, control and maintenance at optimum level etc.

3.2 Management Inefficiencies

The Following Facts were observed

- (a) The Public audit fee as at 31 December 2016 was Rs.3,640,099 and by 30 May 2016 Rs.2,905,849 had been settled. Action had not been taken to settle the balance fee payable amounted to Rs.734,250

- (b) The weekly stall of the Anuradhapura Municipal Council constructed by the East Nuwaragampalatha Divisional Secretariat office during 2015 by spending Rs.4,777,042 was repaired and modernized and handed over to the Municipal Council during January 2016, but by 30 July 2018, the construction of the weekly stall was completely demolished without being used by the public.
- (c) A Fixed Asset Document per vehicle and accessories was not maintained by proper update.

3.3 Operational inefficiencies

The following facts were disclosed.

- (a) A land owned by the Municipal Council with a value of around 1 million had 43.54 perches where 4 rented houses in 4 land peices had been given for the residents without proper approval from the year 2006 to 2014 time period.
- (b) There was a large loss in assessed tax in the Municipal Council since it did not taken steps to impute rates on the new valuation considering the changes in the property after 2009.

4. Good Governance and Accountability

4.1 Budget Control

Due to the budget estimations being prepared without proper forecast 07 items related to the income showed variations ranging from 14 percent to 174 percent between the budgetary income and the actual income. And 5 items related to expenditure showed variations ranging from 51 percent to 83 percent between the budgetary expenditure and the actual expenditure it was observed that the budget had not been used as an effective management tool.

4.2 Audit and Management Committees

In accordance with the Circular issued by the Department of Management and Audit No.DMA2009 (1) dated 9 June 2009 Audit and Management Committees were not established for the year 2017.

4.3 Unsolved observations and unanswered audit queries

21 audit queries remained unanswered even by 30 May 2018 and the value of transactions that was calculated was Rs.87,553,452.

5. Systems and Controls

The shortcomings observed during the audit period have been referred to the Municipal Commissioner and further attention should be paid to following areas of governance.

<u>Systems</u>	<u>Deficiencies</u>
(a) Financial Control	(i) Not monitored daily on financial matters. (ii) Officers involved in financial matters did not obtain guarantee. (iii) No action taken on unrealized and return cheques.
(b) Internal Control	(i) Transfer of duties not applicable to the posts. (ii) Not supervising the duties of the staff. (iii) Audit and Management Committees have not been established and implemented. (iv) No internal audit was carried out and no reports were submitted.
(c) Asset Management	(i) Asset records and documents not being updated and maintained properly. (ii) Fixed Assets not valued nor documented. (iii) Non-observation of goods and submission of reports.
(d) Budget	(i) Not utilizing the budget document as an effective financial control tool.
(e) Debtors and Creditors Control	(i) No action taken to identify and settle accounts payable and receivable.
(f) Revenue Control	(i) Not obtaining revenue arrears. (ii) Not maintaining and updating revenue documents.
(g) Annual Plans	(i) Action plan and procurement plan not being prepared.