

Anuradhapura Municipal Council
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 28 February 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Council on 27 August 2020 and 22 September 2020 respectively.

1.2 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph “Basis for adverse Opinion” of this report, the financial statements do not give a true and fair view of the financial position of the Anuradhapura Municipal 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 Adverse Opinion

(a) Accounting Deficiencies

	Audit Observation	Recommendation	Comment of the Accounting Officer
(i)	The credit balance Rs.12,969,209 of the loan amounting to 14,400,000 which had been obtained by depositing fixed deposits as security during the year under review had not been mentioned in the financial statements.	Accounts should be properly kept.	Agree.
(ii)	The sum of Rs. 4,250,000 received from a performance bond in the construction of a waste incinerator had been brought to account as capital income received from the Central Government.	Accounts should be properly kept.	Agree.
(iii)	The amount of Rs. 6,322,303 and Rs. 40,852,190 due to the Council from the parties responsible for the financial irregularities that occurred during the period from 2014 to June 2018 had not been brought to account.	Value should be accounted for by identifying the parties to be recovered the money.	Action will be taken to account for the correct value according to the investigation report.

(iv)	The salaries and allowances of Rs. 1,816,557 irregularly paid up to June 2018 to an employee who had served in the Anuradhapura Municipal Council and subsequently transferred to the Provincial Engineering Department in August 2013 had not been brought to account as receivables.	Value should be accounted for by identifying the parties to be recovered the money.	Action will be taken to account for the correct value according to the investigation report.
(v)	Loan installments and interest payments of Rs. 2,607,434 of the Bank of Ceylon had not been accounted for up to 31 December of the year under review.	Accounts should be properly kept.	Agree.
(vi)	Payments amounting to Rs. 4,788,730 pertaining to two current accounts belonging to the Municipal Council had not been identified and brought to account as at 31st December of the year under review.	Accounts should be properly kept.	Adjustments have been made in the bank reconciliation statements and cash balances of the year 2020. Action will be taken to submit the relevant information to the audit.
(vii)	A sum of 1,839,183 received to 04 current accounts as at December 31 of the year under review had not been identified and brought to account.	Accounts should be properly kept.	Adjustments have been made in the bank reconciliation statements and cash balances of the year 2020. Action will be taken to submit the relevant information on adjustments to the audit.
(viii)	Instated of stating the debit value of Rs.151,314,830 and credit value of Rs.86,378,799 in 13 journal entries used in the preparation of financial statements for the year under review in the relevant accounts, the difference of the debit value amounting to Rs. 64,936,031 had been stated as other expenditure.	Action should be taken to account for the correct value of financial statements.	In recording the transactions shown by the journal entries relating to the year of accounts in the financial statements, steps will be taken to record them in the relevant revenue and expenditure and assets and liabilities accounts within the future financial statements.

(ix)	The head office, library buildings, crematorium, 135 other building units and the value of all lands had not been assessed and stated in the financial statements.	Relevant value should be assessed and brought to account.	Action will be taken to include the values in the financial statements for the year 2020 according to the new accounting standards.
(x)	Cheques valued at Rs. 2,188,931 relevant to 02 current accounts that had been issued but had not been submitted for payment for the past several years had been brought to account as other income in the year under review.	Accounts should be properly kept.	The value of these cheques has been corrected under the transfers to the Head. of Surcharge Expenditure
(xi)	Although 09 projects worth Rs. 5,907,104 which had been implemented under other provisions of institutions had been stated as creditors, The value of the receivable creditors had not been brought to account	Accounts should be properly kept.	Action will be taken to include industry debtor and creditor accounts in the financial statements for the year 2020.
(xii)	Although the weekly fair income for the year under review was Rs. 7,791,314, it had been stated as Rs. 7,545,975, thus understating by Rs.245,339.	Accounts should be properly kept.	Only cash receipts have been recorded in the financial statements for the year under review and receipts of arrears have not been accounted for. These corrections have been made by journal entries.
(xiii)	Revenue from the lease of tendered vehicle parks and the vehicle parks maintained by the Council amounting to Rs. 7,073,299 for the year under review had been stated as Rs. 5,695,893 in the financial statements and accordingly, a sum of Rs. 1,377,406 had been understated.	Accounts should be properly kept.	According to the financial statement, the revenue received for the vehicle parks maintained by the Municipal Council is Rs. 2,260,440 and the revenue from the leases of vehicle parks is 3,435,452.
(xiv)	Although the revenue from fish stalls tender billing for the year under review was Rs.1,510,770, it had been stated as Rs. 3,389,152 in the financial statements thus overstating by Rs. 1,878,382.	Accounts should be properly kept.	The billed income for the fish stalls will be corrected as per the fish stalls tender register and submitted in the financial statements for the coming year

(xv)	The Poson festival billed revenue for the year under review amounting to Rs. 20,658,539 had been stated as Rs. 21,853,522 in financial statements. Accordingly, a sum of Rs. 1,194,983 had been overstated.	Accounts should be properly kept.	The Poson festival revenue stated in the financial statements for the year under review is accurate according to the revenue records. Action will be taken to prepare the relevant schedules and submit them to the audit in the future.
(xvi)	Sundry advance settlements for the year under review amounting to Rs. 2,988,781 had been debited to the cash control account instead of being debited to the relevant expenditure accounts.	Accounts should be properly kept.	Receipt of cross entries relating to Account No. 1847 is not included in the cash balance. Therefore, the settlement of advances has been adjusted to the balance in the cash book by cross entries.
(xvii)	The loan interest of the Local Loan Development Fund amounting to Rs. 2,943,731 for the year under review had been stated as Rs. 2,447,323 in the financial statements and accordingly, a sum of Rs. 496,408 had been understated.	Accounts should be properly kept.	Action will be taken to compare the loan balance interest amount with the credit balance report of the Local Loan Development Fund and financial statement and correct any changes in future financial statements.
(xviii)	In correcting the error of accounting for sundry advance payments of Rs. 2,165,800 as recurring expenses in the year under review, it had been credited to the cash control account instead of crediting to the relevant recurring expense accounts	Accounts should be properly kept.	Agree
(xix)	The fixed deposit interest income for the year under review amounting to Rs. 2,365,599 had been stated Rs. 3,115,094 in the financial statements and as such, a sum of Rs. 749,495 had been overstated.	Accounts should be properly kept.	Agree

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| (xx) | The billed tax income relating to the disposal of sewage for the year under review amounting to Rs. 10,242,725 had been stated as Rs. 10,887,095 in financial statements and accordingly, Rs. 644,370 had been overstated. | Accounts should be properly kept. | Accounts should be properly kept. |
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(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Although the value of 07 items of accounts as at 31 December of the year under review amounted to Rs. 52,643,535 according to the schedule, it had been stated as Rs. 53,281,581 in the financial statements. Accordingly, there was a total difference of Rs. 5,268,628.	Action should be taken to correct the accounts by reconciling the differences in the balances.	Action will be taken to correct the balance according to the financial statements and schedule and submit the same.
(ii) According to the summary cash books and bank reconciliation statements on 06 current accounts as at 31 December of the year under review, the balance value of cash books was Rs. 10,781,849 but according to the financial statements as at that date, the total value of the balance of cash books in those current accounts was Rs. 18,376,498. Accordingly, there was a difference of Rs. 7,594,649.	Action should be taken to correct the accounts by reconciling the differences in the balances.	After preparing the financial statements, bank reconciliation statements have been prepared for each current account. As the relevant adjustments have not been made in the current accounts of the financial statements, Action will be taken to correct this balance in the accounts for the year 2020 and present it.
(iii) Although the total bank balance as shown in the monthly bank reconciliation statements relating to 03 Current Accounts was Rs. 6,942,582 as at 31 December of the year under review, the total value shown in the bank balance confirmation letters as at that date was Rs. 3,132,415, thus resulting in a difference of Rs.3,810,167.	Action should be taken to correct the accounts by reconciling the differences in the balances.	This will be corrected in the future.

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| (iv) | The total value of 05 revenue accounts in the main ledger for the year under review amounting to Rs. 254,140,668, had been stated as Rs. 259,004,923 in the Financial Performance Statement, thus resulting in a total difference of Rs.18,345,297. | Action should be taken to correct the accounts by reconciling the differences in the balances. | This difference has occurred in the preparation of accounts as revenue categories. |
| (v) | The total value of 12 expenditure accounts in the main ledger for the year under review amounting to Rs.600,116,635 had been stated as Rs.603,512,565 in the Financial Performance Statement, thus resulting in a total difference of Rs.13,673,580. | Action should be taken to correct the accounts by reconciling the differences in the balances. | Action will be taken to correct these difference in the preparation of financial statements for the year to come. |
| (vi) | Two liabilities of Rs. 242,741 which was not shown in the balance sheet as at 31st December 2018 had been taken as opening balances for the year under review. | Action should be taken to correct the accounts by reconciling the differences in the balances. | Action will be taken to ensure that these errors do not occur in the next financial year. |
| (vii) | Although the value of the of the National Savings Bank Fixed Deposit 200051006126 as at 31 December 2019 amounted to Rs. 1,865,959 according to the financial statements, the value as per the balance confirmations as at that date was Rs.1,688,651, thus resulting in a difference of Rs. 177,308. | Action should be taken to correct the accounts by reconciling the differences in the balances. | Action will be taken to ensure that these errors do not occur in the next financial year. |
| (viii) | Although the value of 06 loan balances of the Local Loan and Development Fund as at 31 December of the year under review amounted to Rs. 24,027,128 according to the financial statements, the value of those loan balances according to the balances confirmation on that day was Rs. 25,785,351, thus resulting in a total difference of Rs. 7,896,201. | Action should be taken to correct the accounts by reconciling the differences in the balances. | Action will be taken to check the relevant balance differences with the accounts for the coming year and to correct it. |
| (ix) | Although the employee loan due as per the advance control account amounted to Rs. 28,532,932 as at 31 December of the year | Action should be taken to correct the accounts by | Action will be taken to correct this in the future accounts. |

under review, it had been stated as Rs. 23,704,368 in the financial statements, thus resulting in a difference of Rs. 4,828,564 and as a sum of Rs. 3,193,730 due to be settled to the other departments had been stated as Rs. 1,661,849 in the financial statements, a difference of Rs. 1,531,881 was observed.

reconciling the differences in the balances.

(c) Accounts Payabel

Audit Observation

Recommendation

Comment of the
Accounting Officer

(i) The audit fees of Rs.3,370,050 from 2014 to 2019 had not been settled as at 31 December of the year under review.

Action should be taken to settle the payable account balances.

As per the decisions of the General Assembly, it has been decided to pay the audit fee due at Rs. 100,000 per month.

(ii) The unsettled amount of sundry creditors from 2015 to 2019 was Rs. 135,455,780 as at 31 December of the year under review.

Action should be taken to settle the payable account balances.

A sum of Rs.43,754,556 of this creditors balance have been settled by now. Action will be taken to settle the remaining debt balance.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation

Recommendation

Comment of the Accounting
Officer

(i) Acceptable evidence had not been presented in respect of 19 items of accounts worth of Rs.737,597,791.

Evidence confirming the account balance shown in the financial statements should be submitted.

Agree.

(ii) A stamp duty record had not been properly maintained to clearly identify the stamp duty revenue. Deficit stamp duty over allocation or less allocations and arrears revenue could not be clearly identified.

Documents should be properly maintained.

Action will be taken to prepare a formal document and submit it before 31.08.2020.

(iii) Details regarding the employee loan of Rs. 3,661,688 that had been written off against the Accumulated Fund as at 31 December of the year under review and the reasons for writing off the outstanding employee loans had not been submitted.	Relevant accurate and detailed information should be submitted.	The difference in the opening balance has been settled by comparing the long standing employee loan balance according to the financial statements with the employee loan balance schedule as at 31.12.2019.
(iv) No banking reconciliations had been presented in respect of the current account number 0076677550 for the month of January and from March to August 2019.	Monthly bank reconciliation statements should be submitted.	Action will be taken to obtain bank statements, prepare bank reconciliations and submit them for audit.
(v) Although a value of Rs.19,667,827 had been stated in 07 accounts included in the financial accounts as at 31 December of the year under review, no detailed schedule showing its composition had been submitted.	Detailed schedules should be submitted.	The cash books and summary cash books are prepared and maintained in accordance with the Form General 58 for all the current accounts indicated in the financial statement. It is informed that they can be provided at any time as requested by the audit.
(vi) The details of the cases filed against the Council by external parties and the cases filed by the Council against external parties as at 31 December 2019 had not been not submitted for audit.	The information required for the audit should be submitted.	The documents on the cases are in the custody of the Legal Division of the Council. But those can be examined at any time.
(vii) No balance confirmation had been submitted for the fixed deposit value amounting to Rs.16,953,617 shown in the financial statements as at 31 December of the year under review.	Balance confirmation letters should be submitted.	The subject clerk has informed that these balance confirmation reports will be obtained from the relevant financial institutions at the time of preparing the accounts for the coming year.
(viii) For the confirmation of accurate value of the salary fraud of approximately Rs. 40,820,190 occurred during the period from 2014 to June 2018, necessary bank	Evidence should be presented to substantiate the information.	The Commissioner of Local Government has been informed in writing to conduct a preliminary

remittance details on salaries and allowances had not been submitted submitted for audit.

inquiry into this matter. Action will be taken to provide these details once the relevant preliminary investigation is completed.

- (ix) Although the value of Rs.1,049,629 paid by the lessees in repairing 02 leased shops at the public market without the approval of the Council had been written off against the receivable rent , the technical reports showing the amount of work done and the certified value had not been submitted.
- Technical reports should be submitted to confirm the relevant values.
- Expenditure incurred by the lessee for repairs within the Public Shop No.42 Higher Education and Industrial Institution has been written off from the relevant arrears as per the technical report and Council decisions.

1.4 Non-compliance

----- Non-compliance with Laws, Rules, Regulations, and Management Decisions -----

Reference to Laws, Rules, Regulations, and Management Decisions	Value	Non-compliance	Recommendation	Comment of the Accounting Officer
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	Rs.			
(a) Municipal Councils Ordinance				
----- Section 266	6,751,514	Without the approval of the Council and the approval of the Minister in charge of the subject, receivable income from 03 revenue items had been written off.	Action should be taken in accordance with the relevant section of the Municipal Council Ordinance.	Not replied.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka				
----- Section 5 of Chapter xix		House rent of Rs. 205,750 due for the period from September 2009 to June 2016 for residing the former	Action should be taken in accordance with the Establishments Code.	Not replied.

Municipal
Commissioner in the
government residence
had not been recovered.

(d) Financial Regulations of
the Democratic Socialist
Republic of Sri Lanka

(i)	F.R. 189	1,807,152	No action had been taken on dishonoured cheques worth Rs. 248,600 in 05 current accounts and 20 money orders relating to the period from 2000 to 2019 and action had not been taken on the dishonoured cheques stated in the financial statements for the period 2001-2019.	Action should be taken in accordance with the Financial Regulations.	Action will be taken in accordance with F.R. 169 with regard to dishonoured cheques and submit them for audit.
(ii)	F.R.396	162,255	No action had been taken on 23 cheques amounting to Rs. 162,255 which had been issued from 02 current accounts but had not been submitted for payment.	Action should be taken in accordance with the Financial Regulations.	Action will be taken in accordance with F.R. 396 (c) regarding 23 cheques that had not been submitted for payment.
(iii)	F.R. 571(i)		Out of the deposits of Rs. 110,650,744 as at 31 December 2019, lapsed deposits had not been identified and relevant lists had not been prepared.	Action should be taken in accordance with the Financial Regulations.	Action will be taken to prepare the deposit report and submit it to the audit.
(iv)	F.R..702(3)		Copies of contract agreements relevant to the year under review had not been submitted to the Auditor General.	Action should be taken in accordance with the Financial Regulations.	Action will be taken to submit the copies of the Agreement to the Audit in due course.

(d) Government
Procurement Guidelines

(i)	Section 2.8.1	41,686,476	Experts relevant to the subject areas had not been involved in four Technical Evaluation Committees of the Municipal Council	Arrangements should be made to contact an expert for specific activities.	Activities had been done on the recommendation of the Municipal Engineer without the involvement of an expert.
(ii)	Section 5.1	32,700,000	Bid documents had been prepared for the procurement of the waste incinerator and solar power systems without specifying the technical specifications, criteria and required minimum standards.	A formal procurement and procurement guidelines should be followed for these types of activities.	Activities had been done on the recommendation of the Municipal Engineer without the involvement of an expert.
(iii)	Section 5.4.4	1,700,000	When giving an advance to the institute selected for the installation of a solid waste incinerator, 50 per cent of the project value had been paid without advance security instead of paying 30 per cent of mobilization advance.	Procurement Guidelines should be followed.	Since this machine was to be fixed urgently and it was unable to install at 30 per cent advance from that institution, the relevant payment was decided by the Council as that institute informed the need of 50 per cent advance for the work.
(iv)	6.2.2 ᱛᱟᱦᱟᱨ	8,500,000	No minimum period of 21 days had been given for the submission of bids relating to the Procurement for the installation of solid waste incinerator.	Relevant Sections of the Procurement Guidelines should be followed.	Proposals were limited to 16 days due to a specific issue that had to be resolved in a short period of time.

(v)	Sections 7.1, 7.7, 7.8	32,700,000	The post-service liabilities and terms of service had not been included in the agreements pertaining to the installation of the garbage incinerator and the solar power system .	Relevant Sections of the Procurement Guidelines should be followed.	Agreements relating to the liability and services (as presented in the Procurement) will be entered into after the completion of the installation.
(vi)	Section 3.10	7,499,996	The dual bidding system had not been followed in the bidding process relating to the construction of the front office.	Relevant Sections of the Procurement Guidelines should be followed.	As it is an independent institution established under Chapter 252 of the Municipal Council Ordinance, the Procurement Committees take decisions on the projects being implemented to obtain goods and services from the Municipal Council Fund.

1.5 Transactions Not Supported by and Adequate Authority

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) Despite the lack of legal provisions to provide a fuel allowance to the Deputy Mayor, he had been given an allowance of Rs. 418,800 for 4,200 liters of diesel at a rate of 200 liters per month from April 2018 to December 2019.	Action should be taken to recover unauthorized payments.	Payments have been made on Council decisions.
(b) According to the Gazette Notification of the Democratic Socialist Republic of Sri Lanka No. 2086/15 dated 29 August 2018, although allowances can be paid to both the Private Secretary to the Mayor's Staff and the Public Relations Officer subject to a maximum of Rs. 25,000. Payments had been made at Rs. 35,000	Gazette notification should be followed. Additional payments should be recovered.	Payments have been made on Council decisions.

per month from August 2018 to December 2019. Further, despite the lack of legal provisions as per the above gazette notification, telephone allowances of Rs. 5,000 per month had been paid to the Private Secretary from April 2019.

- (c) Although powers have not been given under the Sections 188 (a) to (r) of the Municipal Council Ordinance (Chapter 252) for the payment of salaries and allowances to the officers of the island wide service and the officers of the Provincial Public Service serving in the Local Government Institutions, a sum of Rs.3,496,082 had been paid as an incentive to 32 officers without the prior approval of the Minister in charge of the subject or the Governor.
- Formal approvals should be obtained for payment of allowances.
- Payments have been made with the approval of the Council. Action will be taken to obtain the approval of the Hon. Governor in the future.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Council in excess of the recurrent expenditure amounted to Rs. 47,891,094 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 11,113,853 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
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(i) Rates and Taxes	138,211,000	78,224,708	81,590,115	92,701,898	65,500,000	68,552,914	63,301,193	90,919,302
(ii) Lease Rent	97,096,000	26,371,089	41,981,929	49,905,016	24,650,000	25,332,031	19,906,664	47,135,639
(iii) License Fees and Services	44,422,000	15,951,670	38,187,004	1,844,515	15,000,000	15,632,224	14,698,340	3,133,877
(iv) Other Income	459,965,130	50,000,000	386,135,044	28,641,342	40,573,246	40,573,246	74,615,304	28,905,061
	739,694,130	170,547,467	547,894,092	173,092,771	145,723,246	150,090,415	172,521,501	170,093,879

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Rates had been levied for the year under review based on the assessment made in 2009.	The rates should be revised in keeping with the time.	The Municipal Council has mapped the assessment tax areas.
(b) Although the annual rates billing amounted to Rs. 79,367,023, the deficit as at 31 December 2019 stood at Rs. 91,011,029.	Action should be taken to recover the arrears of revenue.	Action will be taken to recover the arrears.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The annual rent billing for the year under review was Rs.20,242,227 and the outstanding bill as at 31 December 2019 was Rs.43,592,735.	Action should be taken to recover the arrears of rent.	The matter will be referred to the Council and future steps will be taken in accordance with its decisions.
(b) The annual public shops rental billing for the year under review was Rs. 5,828,871 and the outstanding public shops rent as at 31 December 2019 stood at Rs. 3,579,252.	Action should be taken to recover the arrears of rent.	The matter will be referred to the Council and future steps will be taken in accordance with its decisions.
(c) Although the shops owned by the Council should be assessed once in five years, rental for the stalls at the Public Market Phase I and II and other shops was being levied based on the 1999 assessment.	Action should be taken to recover rent expeditiously on new assessments.	The matter will be referred to the General Assembly from January 2020 and action will be taken to recover the rent on a provisional basis.

2.2.4 Licence Fees

Audit Observation

The arrears of trade license as at 31st December of the year under review amounted to Rs. 1,193,675.

Recommendation

Action should be taken to recover the arrears in accordance with the Municipal Councils Ordinance (Chapter252).

Comment of the Accounting Officer

Institutions that have not paid for their licenses have already been filed court cases to cover the trade license arrears for the year under review.

2.2.5 Court Fine and Stamp Duty

Audit Observation

The court fine and the stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs. 674,975 and Rs. 25,189,888 respectively.

Recommendation

Action should be taken to recover all the outstanding court fines and stamp duty.

Comment of the Accounting Officer

Action will be taken to recover the receivable court fines and stamp duty by preparing the suitable project reports.

3. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 04 of the Municipal Council Ordinance, are as follows.

(a) By-laws

Audit Observation

Although by-laws should have been enacted under Section 272 of the Municipal Council Ordinance to fulfill 34 key matters, details of the by-laws enacted as at 31 December 2019 had not been submitted for audit.

Recommendation

Action should be taken to enact by-laws.

Comment of the Accounting Officer

The by-laws have been drafted on several matters and they are to be submitted to the Hon. Governor for approval after correcting the existing errors.

(b) Failure to Perform Duties and Functions

Audit Observation

Recommendation

Comment of the
Accounting Officer

(i) Four primary functions and 16 related sub-functions to be performed by the Urban Veterinary Unit had not been performed during the year under review.

Action should be taken to accomplish the tasks to be performed by the relevant divisions.

Part of the functions of the Urban Veterinary Unit has been performed.

(ii) Future work plans of the Public Health Inspectors had not been approved and the duties and functions on food security had also not been performed during the year under review

Action should be taken to accomplish the tasks.

Instructions have been given to act in accordance with the relevant guidelines.

(c) Solid Waste Management

Audit Observation

Recommendation

Comment of the
Accounting Officer

Garbage collected in the Municipal Council area had been disposed of at the Kireekkulama Garbage Management Center belonging to the Eastern Nuwaragampalatha Pradeshiya Sabha and garbage disposal at the site had been discontinued due to protests staged by residents in the area and an ongoing lawsuit over the illegal dumping. Further, the collected non-perishable rubbish such as polythene and plastic had been piled up in that premises.

Action should be taken to prepare a waste management plan and to carry out waste management process properly.

Stes have taken to dispose of the decomposing garbage in the organic yard for the city of Dambulla, to send the non-degradable waste to the INCC ECOCYCLE LANKA in Puttalam and to cover the Kireekkulam yard with soil

(d) Environmental Issues

Audit Observation

Recommendation

Comment of the
Accounting Officer

(i) On both sides of the canal that discharges the sluice water of the Kumbichchankulama tank into the Malwathu Oya, large scale unauthorized constructions had been carried out so as to

Measures should be taken in respect of unauthorized constructions.

Measures have been taken to remove the constructions in the identified locations that had blocked the canals

block the service roads. The illegal encroachment of the canal reserve by a private company by erecting supporting concrete pillars on the banks of the canal and enclosing it with walls has become a major social problem for the people living on both sides of the canal due to loss of service routes.

flowing into the Malwathu Oya of the Kumbichchankulama tank and its service road.

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| (ii) Several reputed hotel owners had used the Malwathuoya reserve for boat rides for tourists and they had not obtained approval from the Municipal Council or the Irrigation Department for hotels built in the reserves. Further, trade license had also not been obtained from the urban council for boat rides. | Action should be taken in connection with the unauthorized activities carried out in Malwathuoya and the reserve. | Action will be taken to grant approval for these hotels and boat rides. |
| (iii) Sanitary problems in many of the lodges had arisen due to non-compliance with the zoning plan. | Measures should be taken to regularize the sanitary facilities in the lodges. | Action will be taken to subsequently revise the Plans of the private places that are approved as residential buildings, in order to make them suitable for commercial use on demand |
| (iv) The playground of the Town Hall area, which was controlled by the city council, had been bisected constructing a middle path and was partially occupied by unauthorized occupants constructing business places and homes. As such, and the public was deprived of the opportunities to access to physical fitness activities. | Action should be taken in connection with the unauthorized acquisition and construction. | Measures have been taken to remove unauthorized constructions which had led to constructions of irregular nature. |
| (v) Construction work at No. 460C, 9th Lane, Town Hall Place, had been carried out without being complied building plan approved in accordance with the provisions of Circular No. 8/1/38 dated March 20, 1985 of the Urban Development Authority | Legal action should be taken against constructions which are not in conformity with the plans. | Not replied. |

(e) Sustainable Development Goals

Audit Observation

Recommendation

Comment of the
Accounting Officer

The Municipal Council had not fulfilled the responsibilities assigned to it for setting goals and objectives and criteria to be achieved the goals in accordance with the United Nations Sustainable Agenda 2030.

Action should be taken to implement the Sustainable Development Agenda.

The Budget 2020 made the necessary allocations to achieve the Sustainable Development Goals and target criteria.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comment of the Accounting
Officer

(a) Out of the loss amounting to Rs.3.3 million identified during the preliminary investigation conducted into the fire broke out in the excavator used for the Kireekkulama Pilisaru project, a quarter of the loss of Rs. 825,000 had not been recovered from the relevant officers.

Action should be taken to recover the money from the relevant person by taking measures in accordance with the investigation report.

According to the investigation report conducted on this issue, action has been taken to recover the loss from the relevant officer.

(b) Although the former Municipal Commissioner had been transferred in June 2016, he had not vacated the official residence until June 2020, whereas rent and penalty rent for that period had not been recovered.

Action should be taken to recover the arrears of rent and to get back the official residence.

The former Municipal Commissioner residing in the scheduled quarters reserved for the Municipal Commissioner has been transferred to the Provincial Department of Social Services since June 2016. The Provincial Director of Social Services has arrived as the Municipal Commissioner and has been residing in the two official quarters with the consent of the two officers, and the rental for the official quarters relating to that period has been recovered

from the officer who has been appointed as the Provincial Director of Social Services.

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| (c) | No legal action had been initiated to recover the financial loss of Rs. 47,174,493 caused to the Council Fund from two financial irregularities that had occurred from the year 2012 to the year 2018. | Relevant investigations should be completed expeditiously and action should be taken against the responsible parties to recover the loss to the Council | As investigations in this connection are underway, the financial loss has not been specifically identified. |
| (d) | An employee who had served in the Anuradhapura Municipal Council and had been transferred to another institution in the year 2013 and he had been paid Rs. 1,816,557 as salaries and allowances from that day up to June 2018. Nevertheless, legal action had not been taken to recover the amount so paid. | Action should be taken to recover the loss by completeing the relevant investigations expeditiously. | As investigations in this connection are underway, a decision has not been received so far to recover the financial loss. |

3.3 Human Resource Management

(a) Cadre Vacancies and Excesses

Audit Observation	Recommendation	Comment of the Accounting Officer
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(i) An excess of 70 primary level employees and 60 vacancies in 10 secondary level posts, 02 vacancies in 02 tertiary level posts and 03 vacancies in 03 senior level posts could be observed as at 31 December 2019.	Action should be taken to fill the vacancies of the essential posts.	Due to insufficient staff currently employed for the daily cleaning of roads and drains of the Anuradhapura Municipal Council, casual and substitute employees have been employed for that purpose.
(ii) Ninety seven employees who were receiving casual salaries and allowances had been employed to act in 25 permanent posts and Rs. 44,028,992 had been spent to pay their salaries and allowances in 2019.	Action should be taken to obtain approval for recruiting necessary staff for the current role.	Although requests have been made for this purpose since 2016, no action has been taken to approve the required staff. At least the vacancies have not been filled and it has given rise to this situation.

(b) Employees Security

Audit Observation

In terms of Section 03 of the Establishments Circular No. 04/1999 dated 03 November 1991 of the Chief Secretary of the North Central Province, an amount of Rs. 235,000 to be recovered from the officers who were required to deposit securities had not been obtained.

Recommendation

Action should be taken to obtain obtain securities from the relevant officers.

Comment of the Accounting Officer

Action will be taken to recover the security deposits immediately.

3.4 Assets Management

3.4.1 Non-acquisition of Assets

Audit Observation

Action had not been taken to take over the ownership of 10 vehicles used by the Municipal Council.

Recommendation

Action should be taken to take over the ownership of the relevant vehicles.

Comment of the Accounting Officer

Not replied.

3.4.2 Idle Assets

Audit Observation

Five solar power systems worth Rs. 24,200,000 installed in five buildings of the Municipal Council during the year under review remained idle even as at 22 June 2020.

Recommendation

Steps should be taken to make effective use of the relevant solar systems.

Comment of the Accounting Officer

Not replied.

3.4.3 Annual Board of Survey

Audit Observation

Board of Survey and inventory verification had not been carried out for the year under review as per Financial Regulation 756.

Recommendation

Board of Survey should be conducted within the prescribed time and reports thereof should be submitted for audit.

Comment of the Accounting Officer

The Board of Survey reports will be submitted before 30.08.2020.

3.5 Uneconomic Transactions

Audit Observation

Although the incineration of the incinerator should be carried out according to the controlling standards in an environmentally friendly manner as per the Interim Standards of the Central Environmental Authority and in accordance with the regulations No. 2126/36 dated 05 June 2019 of the National Environmental Act No. 47 of 1980, the required data indicators had not been installed to ensure operation with the relevant minimum temperature and holding time. Further, the surrounding area is covered with black smoke during incineration by the incinerator and accordingly, it was revealed that the incinerator did not operate at the standardized minimum temperature and holding time. Accordingly, the crematorium which did not comply with the regulations and criteria of the Central Environmental Authority and the Rs. 10,408,232 spent thereon had been become ineffective.

Recommendation

These types of projects should be maintained in accordance with prescribed standards.

Comment of the Accounting Officer

It is informed that steps will be taken to reach strategic discussions based decisions on issues that are considered to be environmental issues related to the waste incinerator. Arrangements are being made to finalize this transaction and the relevant project so as not to cause any financial loss to the Municipal Council in the future.

3.6 Irregular Transactions

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Without being referred the bids to an evaluation committee consisting of officers with technical knowledge, the project of constructing the front office had been awarded at Rs. 7,499,996 to the one and only institute that had presented the bids.	Formal procurement procedures should be adopted.	Action has been taken on the decisions of the Urban Engineer and the Council decisions regarding the construction of front office.
(b) Despite the recommendation of the Procurement Committee to purchase 04 air conditioners for the front office from the lowest bidder, the purchase had been made from the institute that had presented the highest bid, thus resulting in a financial loss of Rs. 173,356	Action should be taken in accordance with the recommendations of the Procurement Committee.	Not replied.

3.7 Identified Losses

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The value added tax (VAT) amounting to Rs. 374,913 paid during the period from January to July 2019 which should be offset against the value added tax (VAT) payable to the Inland Revenue Department had not been reimbursed.	It should be reimbursed within due period.	Even though purchases are made for the year under review, the relevant payments will be made thereafter. Payments to the relevant suppliers have been delayed due to financial difficulties encountered at certain times in the Council. Therefore, the value of bills that have exceeded a period of one year cannot be reimbursed at the time of payment of value added tax.
(b) Due to failure to recover the advance paid for the construction of the Mahanama Uyana drainage system in full, a loss of Rs. 307,454 had been incurred.	The relevant loss should be recovered from responsible persons.	Action will be taken to conduct a preliminary investigation and thereby to recover the balance from the responsible parties.

04. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
In terms of paragraph 06 of Circular No. 04/2015 of 18 March 2015 of the Commissioner of Local Government, North Central Province, an Internal Audit Officer directly responsible for had not been appointed and reports had not been obtained.	Action should be taken in accordance with the Circular.	An Internal Audit Unit has been established in the Anuradhapura Municipal Council. However, as the internal audit reports have not been presented to the Government Audit Department, the officers concerned have been informed to forward them in the future.

4.2 Implementation of Audit and Management Committees

Audit Observation	Recommendation	Comment of the Accounting Officer
Audit and Management Committee meetings had not been conducted for the year under review.	Audit and management committee meetings should be held at least at one meeting per quarter.	The Internal Audit Officer has been instructed to establish and implement an Audit Management Committee.

4.3 Unresolved Observations and Unanswered Audit Queries

Audit Observation	Recommendation	Comment of the Accounting Officer
Twenty one audit queries with a computable financial value of Rs.127,945,772 issued during the period 2016-2020 had not been answered until 27 May 2020.	Audit queries should be answered within the prescribed period.	Due to the lack of a formal register on the audit queries, it was found difficult to obtain information on the unanswered audit queries and the answers for the audit queries were given as stated in the 2018 audit report.