

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Anuradhapura Municipal Council including the financial statements for the year ended 31 December 2023 comprising the Statement of Assets and Liabilities as at 31 December 2023, Comprehensive Income Statement, Statement of changes in Equity / Net Assets, Cash Flow Statement and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 219 of the Municipal Councils Ordinance (Chapter 252) and National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Anuradhapura Municipal Council as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices

1.2 Basis for Qualified Opinion

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Municipal Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Municipal Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Municipal Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Municipal Council has complied with applicable written law, or other general or special directions issued by the governing body of the Municipal Council;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Municipal Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Municipal Council presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Non-compliance with Sri Lanka Public Sector Accounting Standard for Local Authorities

Non-Compliance with the reference to the Standards	Comments of the Council	Recommendation
(i) According to paragraph No. 3.15, the financial statements of the entity did not disclose its legal form, area of authority, the country and province where the area of authority is located, the addresses of its head office and a description of the operations of the entity and its main activities through notes.	The general details of the Council are mentioned under Note No. 10. Action will be taken to provide detailed information in the next financial year.	Sri Lanka Public Sector Accounting Standard for Local Authorities – 2017 should be followed.
(ii) As per paragraph No. 16.7, the work planned by the Council for the reporting period, its actual information and the same information relating to the previous period has not been submitted comparatively.	That the relevant details will be submitted when preparing the financial statements of the coming year.	-Do-
(iii) Analytical information related to service performance was not presented concisely as per Standard No. 16.10.	-Do-	-Do-

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Council	Recommendation
(a) Although the arrear garbage fee income related to the year 2023 is Rs.2,715,100, it was understated as Rs.1,172,900 in the statement of assets and liabilities of the year under review.	That the rectification will be done when submitting the next year's accounts.	Correct value should be presented.
(b) The Pubudupura 20 Lane interlock Road constructed at a cost of Rs.1,497,160 in the year 2023 was not shown in the statement of assets and liabilities as assets and as capital grants in the year under review.	-Do-	-Do-
(c) Debtors and creditor balances of Rs.29,006,795 related to 34 projects mentioned in the statement of assets and liabilities of the year under review had not been shown in the statement of assets and liabilities of the year under review as assets and capital grants.	-Do-	-Do-
(d) Capital assets had increased by Rs.8,832,446 due to double accounting of the expenditure of Rs.8,832,446 in the year 2022 for the modernization of Sunatha Retirement Hall.	-Do-	-Do-
(e) The increase in land and building assets during the year under review amounting to Rs.7,229,059, had been shown in the statement of assets and liabilities as construction of roads and culverts.	-Do-	Assets must be properly identified and accounted for.
(f) Rs.18,881,977 related to 02 projects which were accounted as capital grants in the year under review had also been stated in the comprehensive income statement of the year under review as recurrent revenue.	-Do-	Capital grants must be correctly identified and accounted for.
(g) 14 fixed deposits of Rs.30,093,456 belonging to the Urban Council were shown as current assets in the statement of assets and liabilities of the year under review instead of being shown as investments.	-Do-	Investments must be properly accounted for.

1.6.3 Unreconciled Control Accounts or Records

Audit Observation	Comments of the Council	Recommendation
(a) A difference of Rs.889,533 was observed in the arrears of rates and taxes as on December 31 of the year under review, between the ledger accounts and the schedules.	Action will be taken to rectify.	Corresponding reports should be compared with schedules.
(b) According to the financial statements on 31 December of the year under review, the value of 03 income subjects and 02 asset subjects shown as Rs.105,826,139 and according to the related documents and schedules, the value shown as Rs.104,614,196 therefore a difference of Rs.1,211,943 was observed.	-Do-	-Do-

1.6.4 Lack of Written Evidences for Audit

Item	Amount	Evidences not Submitted	Comments of the Council	Recommendation
	Rs.			
Road Construct ions	26,954,750	(i) Estimates (ii) Certified work done files (iii) Details of Raw material balance.	Action will be taken to rectify.	Relevant corroborating evidence should be submitted at the time of audit.

1.7 Non-Compliances

1.7.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of Non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations	Non-compliances	Comments of the Council	Recommendation
Circular No. SEC/2023/E/02 dated 06 April 2023 of the Commissioner of Inland Revenue, Department of Inland Revenue	PAYE tax of the municipal commissioner of the council for the year 2023 had been calculated less by Rs.219,162.	PAYE tax will be recovered according to the total income and the arrears will be paid in the future.	PAYE Tax should be calculated and recovered as per the circular.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over expenditure of the Council for the year ended 31 December 2023 amounted to Rs.108,130,062 as compare with the excess of revenue over expenditure amounted to Rs.34,570,337 in the preceding year.

2.2 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information given by the Urban Commissioner relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below

Source of Revenue	2023				2022			
	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue Collected	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	117,581,041	83,406,370	105,579,178	88,745,511	119,962,000	78,121,540	79,929,199	110,918,319
(ii) Rent	112,317,934	108,455,998	99,015,753	78,496,365	82,273,038	78,236,585	67,730,749	69,056,120
(iii) License Fee	29,979,000	39,056,035	36,408,041	8,903,373	32,413,000	29,192,086	36,658,002	6,255,379
(iv) Other Revenue	160,345,351	207,532,842	123,003,729	112,360,175	94,265,600	122,695,556	119,149,240	27,831,062
	420,223,326	438,451,245	364,006,701	288,505,424	328,913,638	308,245,767	303,467,190	214,060,880

2.2.2 Performance in Revenue Collection

The observations regarding the performance in revenue collection of the council are as follows.

	Audit Observation	Comments of the Council	Recommendation
(a)	Rates and Taxes		
(i)	The Rates and Taxes revenue of Rs.77,452,555 had been estimated to be collected for the year 2023, but only Rs.47,388,718 had been collected by 31 December 2023.	Actions have been taken as set targets, implement legal measures and negotiate with government agencies for recovery of Rates and Taxes in the field.	Actions should be taken to recover the arrears of Rates and Taxes.

(ii)	Legal proceedings in terms of Section 252(i)(a) of the Municipal Ordinance Act had not been conducted for recovery of arrears of Rates and Taxes amounting to Rs.88,745,571 as on 31 December of the year under review.	A total of 926 foreclosure notices have been issued in the municipal area and accordingly a considerable amount of arrears have been recovered.	-Do-
(b)	Rent		
(i)	Arrears Vehicle rental income of Rs.158,160 in relation to the year 2021 was not collected in the year 2023 either.	That recovery is in progress.	Legal action should be taken to recover arrears of rent.
(ii)	Arrears of rent amounting to Rs.66,719,780 from 01 to 08 years related to 511 shops owned by the Municipal Council, and the arrears rent of 8,821,505 rupees due for 210 shops in the public market since 01 to 08 years has not been collected.	That 28 final notices, 20 occupancy notices and 09 inspection permits have been issued.	Arrears of rent should be recovered.
(iii)	Arrears of Rs.1,967,718 due for lease of assets were not received as on 31 December of the year under review.	Action will be taken to recover.	Rent arrears on asset leases should be recovered.
(iv)	The amount of Rs.632,025 due for lease of land owned by the Municipal Council for cultivation purposes was not collected.	-Do-	Recovery should be expedited.
(c)	License Fee		
	Although, the trade license billing in the year under review was Rs. 14,004,410, out of that, Rs.7,194,633 related to 1,343 trade licenses had not been recovered by 31 December 2023.	That 75 percent of the arrears trade license income has been collected by now.	Arrangements should be made to collect license fees.
(d)	Other Revenue		
	Court fines amounting to Rs.1,823,329 and stamp duty amounting to Rs.50,062,750 had not been collected from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2023.	Court fines have been accounted for on an estimated basis and no deeds have been received for stamp duty.	Actions should be taken to recover court fines and stamp duty dues.

3. Operational Review

3.1 Performance of functions assigned by the Act

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 4 of the Municipal Council Ordinance are shown below.

Audit Observation	Comments of the Council	Recommendation
By-laws could have been enacted to fulfill 32 main matters under Section 272 of the Municipal Council Ordinance, but no by-laws were enacted even in the year 2023.	That the by-laws have been drafted and submitted for approval.	By-laws should be enacted as per the Municipal Ordinance Act.

3.2 Identified Losses

Audit Observation	Comments of the Council	Recommendation
Disciplinary investigations and necessary legal procedures were not carried out for the frauds and losses of Rs.56,425,174 of the Municipal Council happened in the previous years.	Disciplinary investigations have been conducted and disciplinary orders have been implemented regarding 02 matters included in this. That the investigations are being carried out on the remaining matters.	Disciplinary investigations should be conducted and action should be taken as per the recommendations.

3.3 Management Inefficiencies

Audit Observation	Comments of the Council	Recommendation
(a) A sum of Rs.279,500 had been paid as incentives for assessment name amendment revenue by misinterpreting Section 40(1) (b) of the Municipal Council Ordinance.	That the local government commissioner's circular has been followed.	Tasks must be performed during normal duty hours, so that incentives are not payable.

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| (b) | 07 projects of Rs. 3,498,179 belonging to the Provincial Sports Department had been given as contracts by the council to the community boards using the human and physical resources of the council, but the council did not get any benefits for that. | That these projects have been formally contracted. | Attention should be paid not to carry out such work without benefit to the Council. |
| (c) | Due to the opportunity had given to purchase commercial plots without maximum limit while leasing 416 commercial plots by the Anuradhapura Municipal Council for the Purawara Udana 2023 which has been held in conjunction with Poson Pohya 2023, the people who got 30 and 20 commercial plots each had earned an extraordinary profit of Rs.1,847,639 by sub-leasing those plots, but no attention was paid to control these situations. | That trading lots are awarded to the highest bidder without restriction. | Attention should be paid to act impartially and transparently and not to cause injustice to any party. |
| (d) | Due to the implementation of the 2023 Purawara Udanaya program on the basis of income generation only, it was observed during the audit inspections conducted in relation to the trading booths that the trading community and the people of the area had lost equal and fair opportunities. | That these programs have been implemented with the objective of generating income. | Action should be taken to ensure equal opportunities for all. |

3.4 Operating Inefficiencies

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| (a) Incentives of Rs.942,037 had been paid to 04 supervisory officers from the stamp duty revenues of Rs.159,930,267 received in the years 2018, 2019, 2020, 2021 based only on the documentation and processing of letters related to stamp duty. | That these allowances have been paid in terms of section 188(1) of the Municipal Council Ordinance. | Actions should be taken as per the circular and action should be taken not to pay incentives to officers who do not contribute directly to the work. |

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| (b) | Two officers were appointed full-time to check deeds and they had paid Rs.1,956,154 as salary from the fund of the Municipal Council from the year 2018 to 2021, while Rs.1,011,761 had been paid as incentives from stamp duty income. | That these activities are assigned as an additional duty. | As salary is paid, incentives should be avoided. |
| (c) | No legal action was taken to recover Rs.11,231,838 in arrears of rent owed to the council from an quarters belonging to the Anuradhapura Municipal Council. | That it will be discussed with the governor and take decisions in the future. | Legal action should be taken to recover arrears of rent. |
| (d) | The lease agreements had not been updated and arrangements were made to collect the due fees in respect of 30.75 acres of productive leasable land belonging to the Anuradhapura Municipal Council. | Action has been taken to prepare documents and legal action has been taken to recover the dues. | Actions must be taken to recover. |

3.5 Assets Management

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| (a) | Action had not been taken to disposed of a van that had been out of use for more than 10 years and another van, a cab and a fire cab which value could not be found, as per paragraph 02 (a) of Treasury Secretary's Asset Management Circular No. 01/2018 dated March 19, 2018 | That is referred to obtain engineering recommendations. | disposals should be done. |
| (b) | A sum of Rs.2,515,401 due on 31 December 2023 from 17 leasable assets owned by the Municipal Council had not been recovered and due to the absence of agreements, the council had lost the opportunity to take legal action to the non-paying parties and take over the assets and lease them to other parties. | That legal action is being taken against non-paying lessees. | Legal action should be taken for recovery. |

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| (c) | 09 vehicles were idle due to non-repair. | Repairs will be made once spare parts can be found. | Action should be taken as per Treasury circular. |
| (d) | 09 vehicles being used by the council had not been registered in the name of the council. | That the registration will be done after taking over the ownership. | Takeover should be done. |

3.6 Procurement Management

Audit Observation	Comments of the Council	Recommendation
(a) Anuradhapura Municipal Council had obtained an income of Rs.2,955,983 by giving 36 plots for commercial plots for “Purawara Udana 2023” to individuals without submitting them to public auction and without transparency.	That it has been implemented with the sole purpose of generating income and that there have been no complaints that the demands of the community have not been fulfilled.	It should be confirmed that the activities are done in a transparent manner.
(b) 05 parking lots were leased on both sides of the road and in the stadiums for the “Purawara Udanaya 2023”, but no procurement method was followed for that.	As the car park is not a municipal council land, procurement has not been done and that procurement will be done in the coming year.	Procurement procedures should be followed.