

Anamaduwa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of financial statements

The Financial Statements for the year 2019 were submitted for audit on 28 February 2020 and the Auditor General's summary report on those financial statements was sent to the Chairman on 30 June 2020 and the detailed management report on 11 August 2020.

1.2 Qualified Opinion

Except for the implications of the facts described in the Foundation section for the qualified opinion of this report I am of the view that the financial statements, as well as the financial position of the Anamaduwa Pradeshiya Sabha at 31 December 2019 and It is my opinion that its financial performance reflects a true and fair position in accordance with generally accepted accounting principles.

1.3 The basis for the qualified Opinion

(a) Accounting deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The outstanding court fine as at 31 December 2019 was Rs.700,000 less as stated in the financial statements.	Should be properly accounted for.	I kindly inform you that through the journal entries preparation of the accounts, the accounting deficiencies pointed out by the audit will be rectified in the year 2020.
(ii) The current liabilities had increased by the amount of Rs.3,723,858 over the value of 12 balance sheets of industrial credit.	Accounts should to be corrected and the creditor list corrected.	I kindly inform you that through the journal entries, the accounting deficiencies pointed out by the audit will be rectified in the preparation of the accounts for the year 2020.
(iii) The total of 05 Industrial Debt Balances were Rs.694,365 over stated in the financial	Accounts should be corrected and the debtor's document corrected.	I kindly inform you that through the journal entries, the accounting deficiencies pointed out by the audit will

statements.

be rectified in the preparation of the accounts for the year 2020.

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| (iv) The Five balances amounting to Rs.3,408,834 is being continuously carried forward without identifying in the financial statement at 31 December 2019 | Identify and take necessary action. | I kindly inform you that action is being taken to remove these balances as they are not recognizable. |
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(B) Accounts receivable and payable

Audit Observation	Recommendation	Comments of the Accounting Office
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(i) The total balance of five receivable due to the Sabha as at 31 December 2019 was Rs.22,451,725 out of which the balance over 03 years was Rs.5,004,121.	Action should be taken to recover the amount due expeditiously.	I further inform that action will be taken to recover the uncollected balances expeditiously by June 2020.
(ii) The total of two account balances payable as at 31 December 2019 was Rs.23,428,995 out of which the balance over 03 years was Rs.1,129,727.	Action should be taken to settle the balance due expeditiously.	I kindly inform you that the balance due by June 2020 will be paid expeditiously.

(C) Lack of written evidence required for audit

Audit Observation	Recommendation	Comment of the Accounting Office
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Evidence pertaining to 03 subjects of account with a total value of Rs.88,953,274 had not been submitted for	Arrangements should be made to submit schedules confirming account balances with	I kindly inform you that schedules are being prepared regarding the lands and buildings, machinery and

audit.

final accounts.

equipment and furniture and fixtures pointed out by the audit.

1.4 Non-compliance

1.4.1 Non-compliance with laws, rules, regulations and management decisions

The following inconsistencies were observed during the audit.

Reference to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
Pradeshya Sabha Act No. 15 of 1987 Paragraph 128	The Sabha had not taken possession of 16 properties used by the Pradeshya Sabha.	Action should be taken to acquire ownership as soon as possible.	Requests have been made to the relevant Divisional Secretaries for a formal takeover and I kindly inform you that further steps are being taken by the Divisional Secretariats for the transfer.

2. Financial - Review

2.1 Financial Results

According to the financial statements submitted, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs.7,763,164 and corresponding to the revenue exceeding recurrent expenditure of the previous year was Rs.25,294,563.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Accumulated Revenue and Deficit Revenue

Following is the information on the estimated revenue, billing income, accumulated revenue and arrears submitted by the Pradeshya Sabha for the year under review and for the previous year.

Source of income	YEAR 2019				YEAR 2018			
	Estimated income	Billed income	Revenue collected	Total deficit as at 31 December	Estimated income	Billed income	Revenue collected	Total deficit as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rate and Taxes	5,798	4,982	4,405	8,018	5,761	3,413	2,259	7,441
Lease Rent	15,546	13,466	13,199	2,292	17,698	9,017	8,831	2,025
License fees	650	874	1,153	-	525	1,278	1,278	-
Other revenues	<u>18,500</u>	<u>30,621</u>	<u>16,086</u>	<u>22,977</u>	<u>14,755</u>	<u>15,219</u>	<u>19,440</u>	<u>8,442</u>
	<u>40,494</u>	<u>49,943</u>	<u>34,843</u>	<u>33,287</u>	<u>38,739</u>	<u>28,927</u>	<u>31,808</u>	<u>17,908</u>

Collected income includes income collected from billed income for the year and income collected from arrears.

2.2.2 Revenue Collection Performance

Audit Observation

During the year under review, 35% of the total rate and tax receivables, 85% of rent and 41% of other receivables were collected along with the arrears of previous years.

Recommendation

Action should be taken to recover the arrears expeditiously.

Comments of the Accounting Officer

I kindly inform you that we are working to increase the revenue collection performance in the year 2020.

2.2.3 Rates and Taxes

Audit Observation

The deficit in rates and tax revenue had increased by 8% to Rs.8,018,637 at the end of the year under review from Rs.7,441,032 last year.

Recommendation

The arrears of rate tax should be recovered expeditiously.

Comments of the Accounting Officer

I would like to inform you that Rs.1,093,869 has been collected through property banning programs in the year 2019 and the total collection in

the year 2019 has been increased to Rs.4,388,571. Although property banning programs are scheduled to take place in March 2020, they could not be eliminated due to the COVID-19 epidemic, and property banning programs will be extended to recover arrears.

2.2.4 Rent

Audit Observation

Recommendation

Comment of the Accounting Officer

The balance of the lease balance is Rs.1,352,498 for the year 2019, Rs.539,174 for the rent to be paid from 2013 to 2017 and Rs.28,800 had not been collected since the years before 2015.

Action should be taken to recover the rent arrears expeditiously.

I would like to inform you that Rs.55,050 has been recovered from the rent arrears as at 31.12.2019 and Rs.256,100 has been recovered from the arrears of shop rent. I kindly inform you that action will be taken to recover these arrears in future.

2.2.5 Court fines and stamp duty

Audit Observation

Recommendation

Comments of the Accounting Officer

The court fine due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.6,897,502 and the stamp duty was Rs.16,080,249.

Action should be taken to recover further court fines and stamp duty.

Rs.2,275,114 has been recovered from the outstanding court fines and Rs.10,584,224 has been recovered from the outstanding stamp duty and the remaining amount will be recovered soon.

3. Operational review

3.1 Performance

Following are the facts revealed under Section 3 of the Pradeshiya Sabha Act regarding the formalization and control of matters relating to public health, public utility services and public roads, and the performance of the duties of the Sabha which were to be performed by the wellbeing, convenience and welfare of the people.

(A) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Under Section 126 of the Pradeshiya Sabha Act, by 31 December 2019, by-laws had been adopted for only 29 matters.	The by-laws applicable to the Sabha shall be in accordance with the provisions of the Act.	I kindly inform you that in the future the remaining by-laws will be embraced as required.

(B) Annual Development Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
The progress of three activities in the 2019 Annual Development Plan, estimated at Rs. 800,000, ranged from 4 to 14 percent.	The tasks mentioned in the Annual Development Plan should be completed without delay.	I kindly inform you that the progress in the year 2019 was at a low level due to the performance of minor works.

(C) Sustainable Development Goals

Audit observation	Recommendation	Comments of the Accounting Officer
Although the Sustainable Development Goals have been identified as improving the health of the people in the area and providing public facilities, the progress towards achieving those goals has been less than 75 percent.	Action should be taken to achieve the Sustainable Development Goals.	Although financial progress has been slow due to various incentives for this, I kindly inform you that we will strive to reach our maximum in the coming year.

3.2 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) There were 06 vacancies in the Second-Grade posts and 12 vacancies in the Primary Grade posts in the Sabha and 13 persons were employed outside the approved cadre for casual / substitute posts.

Action should be taken to fill the vacancies.

I kindly inform you that requests have been made to fill the vacancies.

(b) A loan balance of Rs.2,500 of a suspended employee and a loan balance of Rs.9,441 of a retired employee has not been recovered from the year 2012.

Action should be taken to recover the debts of the employees as soon as possible.

Employee loans indicated by the audit have not been recovered since 2012 and the parties have been notified in writing but have not yet been repaid and will be reimbursed in the future.

4. Accountability and good governance

4.1 Budget Control

Audit Observation

Recommendation

Comments of the Accounting Officer

Out of the Rs.29,664,793 allocated by the Sabha for 17 expenditure items during the year under review, expenditure was not incurred.

Arrangements should be made to complete the budgeted work using the provisions.

I kindly inform you that the provisions had been left as it was not wanted to expense during the year.