

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Anamaduwa Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of Financial Operations, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out 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 Subsection 172 (1) of the Pradeshiya Sabhas Act No. 15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported 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 financial statements give a true and fair view of the financial position of the Anamaduwa Pradeshiya Sabha as at 31 December 2023, and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles for the Local Government.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 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 Sri Lanka Public Sector Accounting Standard for Local Governments, 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 financial reporting process of the Pradeshiya Sabha.

As per sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements to be prepared of the Pradeshiya Sabha

1.4 Audit Scope (Auditor's Responsibility for the Audit of the 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's 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 Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the Pradeshiya Sabha
- Whether the Pradeshiya Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha 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 Pradeshiya Sabha 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 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) A cab purchased for Rs.6,300,000 on 09 December 2014 had been totally damaged due to an accident took place on 09 May 2022 and the value of that cab had not been removed from the fixed assets register.	That action will be taken to correctly do it when preparing the final account-2024.	The relevant adjustments should be made in the financial statements
(b) Although the value of the tractor stood at Rs.650,000,since its value had been overstated as Rs.6,500,000 and owing to the omission of the water bowser valued at Rs.620,000 fromthe motor vehicle account, the said account had been overstated by Rs.5,230,000.	That correction has been made through a journal entry when preparing final account-2024.	Action should be taken to make the correction..
(c) The capital input amounting to Rs.619,110 comprising last stock of the compost of the year 2022 valued at Rs.158, 010 and the stock valued at Rs.461,100, had been credited to the revenue contribution account.	That action will be taken to correctly do it when preparing the final account 2024.	- Do -
(d) A sum amounting to Rs.190, 000 that was to be paid in respect of purchasing 100 cement bags at the last day of the year under review had not been shown in financial statements.	That action will be taken to correctly account all the payables.	Action should be taken to correctly identify the creditors.

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| (e) | Although the creditor value of the industry relating to developing the remaining parts of the peththukulam tank road with laying interlocks stood at Rs.384,554 a sum amounting to Rs.210,446 had been overstated. | That action will be taken to correctly do it when preparing the final account-2024. | Action should be taken to follow correct procedure. |
| (f) | Due to non-accounting of goods valued at Rs.136,250 under assets, the assets had been understated by that value. | That action will be taken to add to the final stock when preparing final account -2024.. | - DO - |
| (g) | Although the balance of the revenue contribution account for capital input and the balance of fixed assets should be equal, there was a difference of Rs.3,587,438 between those accounts as at 31 December 2023. | That action will be taken to correctly do it when preparing the final account-2024. | Action should be taken to identify the difference between the balances and correct it. |

1.6.2 Non-availability of written evidence for the audit

Non-supplied Audit Evidence	Comments of the Secretary	Recommendation
It was not possible to satisfactorily check 03 types of accounts totaling to Rs.136,649,669 due to non-supply of required information.	That action will be taken to present schedules therefor when preparing the accounts in future years.	Written evidence capable of proving the ownership and value of assets should be provided to the audit.

1.7 Non-Compliances

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

The following are the instances of non-compliance with laws, rules, regulations and management decisions.

Reference to laws, rules, regulations etc.	Non-compliance	Comments of the Secretary	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) F.R 104(4) and 105(1)	A cab belonging to the Council, had been damaged following a collision	That the investigation report has not been	Action should be taken as per

with three wheeler on 18 October 2021, and although it had been mentioned that an investigation should be carried out by the mediation of the Department of Local Government, no future action had been taken as per regulations following the conduct of a preliminary investigation. Further, the backhoe machine belonging to the Council had met with an accident on 19 July 2021 and action had not been taken as per the regulations.

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| (ii) F.R 371(2)
(b)
and F.R.
371(5) | Although the ad hoc sub-impres that are obtained should be settled within 10 days after completion of the relevant task for which it is obtained, there had been considerable delays in settling the advances obtained amounting to Rs.168,991. | That action will be taken in future to settle the advance money on the scheduled day. | - Do - |
| (iii) F.R.
571(2) | Action had not been taken as per regulations in respect of 69 deposits worth Rs.1,098,046 that exceeded 02 years. . | That action will be taken as per Financial regulation 571(2). | - Do- |
| (b) The Charter No 01 of 2013 for Establishing and streamlining the Community based organizations(water supply and environmental sanitation) | Although the responsibility of registering and supervising community based organizations had been given to a Local Government Institution in the area, the Council had not taken action to carry out the registration of 60 organizations at the Water Supply and Environmental Sanitation Unit of North Western province. | That registration and supervision activities of Community-based organizations are carried out properly. | Action should be taken as per the Charter. |

2. Financial Review

2.1 Financial Results

According to financial statements presented, the revenue that had exceeded the recurrent expenditure of the Council for the year ended 31 December of the year under review, stood at Rs. 8,202,297 and correspondingly, the revenue that had exceeded the recurrent expenditure of the preceding year stood at Rs. 2,208,534.

2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue and outstanding revenue is as follows as per the information provided by the Secretary.

Source of revenue	2023				2022			
	Estimated revenue	Billed revenue	Collected Revenue	Total Deficit as at 31 December	Estimated revenue	Billed revenue	Collected Revenue	Total Deficit as at 31 December 2023
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	₹.'000	₹.'000	₹.'000	₹.'000	₹.'000	₹.'000	₹.'000	₹.'000
Rates and Tax	5,037	4,924	1,685	12,937	5,682	6,207	3,027	14,481
Rent	21,094	21,354	20,628	1,291	18,595	17,693	16,605	1,751
License fees	1,805	1,843	1,843	-	605	534	534	-
Other Revenue	81,210	6,409	6,409	-	10,211	22,063	22,063	-
Total	<u>109,146</u>	<u>34,530</u>	<u>30,565</u>	<u>14,228</u>	<u>35,093</u>	<u>46,497</u>	<u>42,229</u>	<u>16,232</u>

2.2.2 Performance of revenue collection

	Audit Observation	Comments of the Secretary	Recommendation
(a)	Outstanding Rates amounting to Rs.12,514,444 and Rent amounting to Rs.1,291,427 as at 31 December of the year under review had not been recovered.	That action would be taken to recover the outstanding amounts..	Action will be taken to get outstanding revenue immediately.
(b)	Court fines amounting to Rs..5,217,108 and stamp fees amounting to Rs.26,971,631 had been owing as at 31 December 2023 from Chief Secretary of the Provincial Council. Out of that amount, outstanding balances were observed in court fines less than 01 year amounting to Rs.5, 217,108 and stamp fees more than 01 year and less than 03 year, amounting to Rs.26, 971,631.	That reports have been sent to the Chief Secretary Office to recover the full amount owing.	Action should be taken to get outstanding income immediately.

3. Operational Review

3.1 Management Inefficiencies

Audit observation	Comments of the Secretary	Recommendation
(a) Although it had been decided at the General Assembly held on 12 January 2023 to separate into 02 rooms the room No 02 on the upper floor at the Anamaduwa bus stand that particular decision had not been implemented. Due to this reason, the Council had not been able to get the minimum bid amount amounting to Rs.480,000.	Required activities related to implementing the decision taken on 12 January 2023 are being currently carried out.	The general assembly decision should be implemented.
(b) The value of the accounts receivable as at 31 December in the year under review stood at Rs.47,142,541 and the value of balances therein over 05 years amounted to Rs.5,418,021.	That action will be taken to swiftly recover the outstanding amounts.	Action should be taken to swiftly recover the outstanding amounts.
(c) The accounts balance as at 31 December in the year under review stood at Rs.16,919,014 and the value of balances therein over 05 years stood at Rs.1,025,229.	Action should be taken to settle the outstanding amounts as immediately as possible.	The creditors should take action to get the amounts settled.

3.2 Idle or underutilized property plant and equipment

Audit Observation	Comments of the Secretary	Recommendation
(a) The Surakkulama playground built under School sports improvement programme 2021 on the provision amounting to Rs.1,455,077 provided by the Ministry of Rural and School Sports Infrastructure Improvement and at the physical verification carried out on 19 October 2023, it was observed that Surakkulama playground was overgrown with bushes and grass.	That action has been taken to communicate this situation in writing to the relevant sports clubs.	Maximum benefits should be derived from the physical resources built using the Government funds.
(b) Thalokolawewa volley ball ground in Anamaduwa which was built incurring a sum of Rs.300,000 under the province	That action has been taken to communicate this situation in	Maximum benefits should be derived from the physical

	specific development grants programme-2016 had been overgrown with bushes and weeds due to non-using it.	writing to the relevant sports clubs.	resources built using the Government funds.
(c)	Mahakumbukkadawala Kiwuldiyasen water project in Anamaduwa had been built incurring a sum of Rs.1, 133,304 under the province specific development grants programme-2019. Although about 04 years had elapsed since start of the project, no action had been taken to supply water.	That action will be taken to supply water to relevant consumers after the completion of the water project.	Maximum benefits should be derived from the physical resources built using the Government funds.
(d)	Kammandaluwa Galkulamam water project in Anamaduwa had been built incurring a sum of Rs.4, 196,835 under the province specific development grants programme-2018(commune water project).Although about 05 years had elapsed since start of the project on 19 October 2023, no action had been taken to supply water.	That the remaining work of the project will be commenced following the inspection by a Technical Officer of the Department of National Community Water Supply.	Maximum benefits should be derived from the physical resources built using the Government funds.
(e)	A building had been constructed for the establishment of Undiyankulama water purification unit and activities related to purification of water through this unit had not begun even by 19 October 203.2016	That the relevant activities related to purification will be carried out in the future following making aware of the societies.	Maximum benefits should be derived from the physical resources built using the Government funds

3.3 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
The Council had not taken over the ownership of lands in which buildings belonging to the Council are located, playgrounds, community halls, weekly fairs, 16 libraries and a vehicle used, managed and maintained by the Council.	That action will be taken to take over in future.	Immediate action should be taken to take over the legal ownership relevant properties.

3.4 Procurement Management

Audit Observation	Comments of the Secretary	Recommendation
Although a proper contract agreement should be prepared and signed for goods and services agreement exceeding Rs.500,000 as per 8.9.1(b) of Procurement Guidelines 2006, no such agreements had been entered into in respect of repairs effected to vehicles incurring Rs.5,216,700 in 02 instances in 2022. 2006	That contract agreements will be signed in future when full vehicle repairs are carried out.	Action should be taken as per the procurement guidelines.

3.5 Human Resources Management

Audit observation	Comments of the Secretary	Recommendation
(a) There were 10 vacant posts and 19 excess posts at secondary grade and 15 vacant posts and 13 excess posts existed at primary grade as at 31 December 2023.	That action is being taken to fill the vacancies existing at the Council.	The number of employees required for the Council should be correctly identified and action should be taken to get that number approved.
(b) Loan balances of an dismissed officer and a retired officer whose loan balances stood at Rs.2,500 and Rs.9,441 respectively, both totaling to Rs.11,941 and remained unrecovered from 2012.	Reminders have been sent and that action will be taken to recover the loans.	Action should be taken to recover the employees owing loan balances.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit observation	Comments of the Secretary	Recommendation
Although a sum of Rs.466,627 had been incurred for performing 08 functions shown in the Action Plan, the expected output level had not been achieved.	That action will be taken in future which will lead to optimize the physical and financial progress.	Action should be taken to implement the relevant programmes as per the Action Plan and achieve the expected output level.

4.2 Internal Audit

Audit Observation	Comments of the Secretary	Recommendation
The Internal Audit of the Council had not focused its attention on areas such as industries inspection, library inspection and fixing street lamps, documenting fixed assets	That the internal audit will be carried out covering more areas than the areas covered in previous years.	A comprehensive Internal Audit should be carried out covering all activities of the institution.

4.3 Budgetary Control

Audit observation	Comments of the Secretary	Recommendation
(a) Provision amounting to Rs.350, 000 made for 11 items of expenditure, had been saved since the estimates not being prepared accurately and realistically.	That action will be taken in future which will lead to optimize the physical and financial progress	Operational activities should be planned in such a way that may achieve the budget targets.
(b) Provision amounting to Rs.2,104,452 made for 11 items of expenditure, had been saved in a range from 50 per cent to 90 per cent due to the estimates not being prepared accurately and realistically.	-Do-	Operational activities should be planned in such a way that may achieve the budget targets.

4.4 Sustainable Development Goals

Audit Observation	Comments of the Secretary	Recommendation
Although 41 activities had been planned in the year 2023 for reaching 10 development goals identified by the Council, the failure of reaching the level of progress of the 39 activities identified to achieve those goals ranged from 21 per cent to 98 per cent.	That optimal action will be taken to achieve the expected progress of the year 2024.	Action should be taken to achieve the Sustainable Development Goals.