

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Anamaduwa pradeshiya sabha for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, Statement of Finance Operation, Statement of Net Assets Changes, Cash Flow Statement 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 provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018, the sub section 172(1) of Pradeshiya Sabha Act No. 15 of 1987. 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 financial statements give a true and fair view of the financial position of the Anamaduwa pradeshiya sabha as at 31 December 2024, and of its financial performance and cash flow for the year then ended in accordance with Generally accepted accounting practices.

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding financial statement 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 pradeshiya sabha financial reporting process.

As per 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.

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 scepticism 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 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 governing body of the pradeshiya sabha
- Whether it has performed according to its powers, functions and duties, and
- Whether the resources 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 include 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 of this report 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 council	Recommendation
(a)	No provisions had been made for audit fees for the year under review.	Accurate audit fee allocations will be made from 2025 onwards.	Proper allocations for expenses should be made.
(b)	A court fine of Rs. 4,082,869, which had not been accounted for as receivable as at 31 December 2023, had been received during the year under review and the amount was credited to the court fine receivable account. Due to the credit, the court fine income for the year under review and the receivable court fine income at the end of the year under review were shown as less by that amount.	These adjustments will be made without shortcomings from 2025.	Accounts must be prepared correctly.

1.7 Non-Compliances

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

The observations related to non-compliances with Laws, Rules, Regulations and Management decisions etc. are as follows

	Reference to laws, rules, regulations, etc.	Non-compliance	Comments of the council	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	Financial Regulation 571 (2)	No action had been taken to settle deposits that were over 02 years old.	No comments.	Financial regulations must be followed.

(b) **Public Finance**
Circular No. 01/2021
dated 29 September
2021

Section 2.1 44 Contracts had been The contracts have Action should be
Awarded to community- been awarded based on taken according to
based organizations in the a ability certificate the circular
year under review without approved by divisional instructions.
any recommendation of a secretary and
a three-member committee recommended by an
consisting of the Head of officer divisional
Department and tow secretary
representatives nominated
by the Divisional
Secretary.

2. Financial review

2.1 Financial results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 29,096,786 as compared with the excess of revenue over recurrent expenditure amounted to Rs.8,202,297 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated revenues, Billed revenue, Collected revenue and Arrears of revenues

According to the information submitted by the Secretary, the details of estimated revenue, billed revenue, collected revenue and arrears of revenue relevant to the year under review and the preceding year are shown below.

Source of Revenue	Estimated Revenue	<u>2024</u>	Collected Revenue	Arrears as at 31 December	<u>2023</u>	Collected Revenue	Arrears as at 31 December
		Billed Revenue			Estimated Revenue		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
i. Assessments and taxes	6,852	6,601	7,998	11,540	6,137	6,172	12,937
ii. Rent	24,642	26,776	27,016	1,052	21,094	21,354	1,129
iii. License fees	785	553	553	-	705	596	-
iv. Other income	8,066	4,534	4,534	-	6,642	6,642	-
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Total	40,345	38,464	40,101	12,592	34,578	34,764	14,066
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2.2.2 Performance of Revenue collection

Observations related to performance in Revenue Collection of the council are given below.

	Audit Observation	Comments of the council	Recommendation
(a)	Assessments and taxes		
i.	The assessment tax arrears as at 30th April 2025 were Rs. 7,115,505, of which Rs. 632,576 were less than 01 year, Rs. 3,663,172 were more than 01 year but less than 03 years, Rs. 2,597,410 were more than 03 years but less than 05 years, and Rs. 222,347 were more than 05 years.	Red Notice issued for assessment tax arrears recovery have in the past year, implementing mobile programs, program of Prohibition of property. The outstanding balances are provided to the Revenue Inspector for each route on a quarterly basis and the assessment is being collected through field visits accordingly.	Action should be taken to recover arrears of revenue promptly.
ii.	Acreage tax for the year under review is Rs.28,428 was estimated and no amount had been billed. No amount had been recovered from the outstanding amount of Rs. 422,652 that existed until last year.	Currently, there is a difficulty in collecting acreage tax due to the sale of these lands in parts. Also, there is no method to identify these lands at present. However, further efforts are being made to find information to collect acreage tax.	Action should be taken to recover arrears of revenue promptly.
(b)	Rent		
	The outstanding rent balance at the end of the year under review was Rs. 1,052,235 and out of that arrears, a arrears balance of Rs.473,435 was found for less than 01 year and Rs.578,800 for more than 03 years. No action had been taken to recover those arrears balances.	A case has been filed to collect the arrears of rent of Rs. 578,800 for more than 03 years, and further action is to be taken after obtaining a decision.	Action should be taken to recover arrears of revenue promptly.

3. Operational review

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 Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

3.1 Management inefficiencies

Audit Observation	Comments of the council	Recommendation
(a) 05 locally manufactured tractor trailers worth Rs. 2,670,000 and a white iron water bowser had not been registered in the Department of Motor Traffic.	These 05 tractor trailers and the white iron water bowser have been provided by the Ministry without registration and have not been registered by us either. The registration of these vehicles will be carried out within the coming year.	All vehicles must be registered in the Department of Motor Traffic.
(b) Due to the assessment register was not updated the names of current residents in Gam Udawa and Paramakanda round Road assessment divisions were not mentioned in the assessment register. There fore, they had refused to pay the assessment and an arrears of Rs. 2,869,568 remained at the end of the year under review.	The assessment Registers relating to Gam Udawa Mawatha have been updated, and the updates of the quarter have now been completed.	Assessment documents should be updated and action should be taken to collect outstanding assessments.

3.2 Operational inefficiencies

Audit Observation	Comments of the council	Recommendation
(a) Although the assessment is supposed to be revised every five years, the council had levied the assessment based on an assessment made in 2013.	Requests have been made to the Valuation Department to conduct an assessment, and the advance payment required to commence the assessment has been completed. The Valuation Department has now arrived to conduct the assessment and has taken the information, and the relevant assessment work is scheduled to be carried out in the coming days.	A timely assessment should be conducted and revenue should be collected accordingly.
(b) Rent had been charged for 06 fruit stalls 08 stalls in Mahakumbukkadawala and 04 temporary stalls in Bus Stand, belonging to the Pradeshiya Sabha, as per a decision taken by the Management Committee without assessing the monthly rent.	The monthly rent has been decided under the Management Committee Decision No. 4521 for 06 fruit stalls belonging to the council, 08 stalls located in Mahakumbukkadawala and 04 temporary stalls. These stalls are temporary stalls built on land not belonging to the council. with poor facilities. Action will be taken to assess by valuated department	Action should be taken to assess shop rents and charged rent accordingly assessment

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| <p>(c) The assessment period of 03 shops rented in Galkulama had ended on 31st December 2023 and the same old rent had been charged for the year 2024 without new assessment.</p> | <p>Those shops will be assessed in the future.</p> | <p>Rents should be assessed on a timely basis and action should be taken to collect rent accordingly.</p> |
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3.3 Idle or underutilized property, plant and equipment

	Audit Observation	Comments of the council	Recommendation
(a)	21 shops in the shopping complex owned by the council had been lying idle for about 5 years due to the inability to rent them out.	Due to the location of this building and the lack of access to the main road, buyers are not willing to take it on a rental basis. The remaining shop rooms will be provided through a method of reducing the monthly fees after discussions with the Local Government Commissioner.	The property owned by the council should be utilized effectively.
(b)	The Kammandaluwa Galkulama Water Project, which was constructed at a cost of Rs. 4,196,835 through the Provincial Specific Development Grants in 2018, had not implemented and the project had remained idle for almost 6 years.	Due to the basic problems this project is active condition. action are being taken to resolve the problems by discussing them with the relevant parties.	The water project should be implemented and action should be taken to meet the needs of the people.
(c)	The Undiyankulam Water Treatment Plant, which was established in 2016 at a cost of Rs. 3,000,000, had been idle for 9 years due to non-treatment of water.	Due to the lack of water at the water source and the fact that the people have become accustomed to it due to the abundance of water supply points in the relevant area, the necessary background is currently being investigated to locate other water needs in the Anamaduwa area and carry out the relevant task.	Action should be taken to meet the needs of the people.

3.4 Assets Management

	Audit Observation	Comments of the council	Recommendation
	The legal ownership of 11 properties including the land on which the council is located and the cemeteries had not been transferred to the council and an amount of Rs. 561,333 had been spent on the maintenance of the cemeteries during the year under review.	That the relevant documents have been submitted to higher institutions such as the Divisional Secretary, Provincial Land Commissioner, and the Ministry of Lands in order to transfer the legal ownership of the properties to the council.	Action should be taken to take over the property owned by the council.

3.5 Human Resource Management

Audit Observation	Comments of the council	Recommendation
As at 31 st December 2024, one Tertiary Grade post, 09 Secondary Grade posts and 02 Primary Grade posts were vacant in the Council.	Tertiary Grade and Secondary Grade vacancies have been presented to the Chief Secretary of the North West Province.	Action should be taken to fill vacancies.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the council	Recommendation
Although Rs. 39.5 million had been budgeted to implement 22 capital expenditure items, including 15 road development projects, through provincial specific and ministerial grants, they had not been included in the action plan.	Work items expected to be implemented in the coming year will be budgeted and included in the action plan.	An annual action plan should be prepared and implemented.

4.2 Budgetary control

Audit Observation	Comments of the council	Recommendation
Due to the failure to prepare realistic and accurate estimates and the failure to carry out budgeted tasks as planned, the entire allocation of Rs. 10,138,400 provided for 16 expenditure votes remained unspent.	Efforts will be made to avoid such shortcomings in the future.	Operational activities should be planned in a way that enables budgeted targets to be achieved.

4.3 Sustainable Development Goals

Audit Observation	Comments of the council	Recommendation
The Council had identified 08 Sustainable Development Goals and expected to implement 29 indicators to achieve those goals. No activities had been carried out during the year under review for 03 indicators (construction and maintenance of public wells, assistance for sanitation facilities, health education programs) for the provision of drinking water and sanitation facilities for all, which was identified as the sixth goal.	No comments.	Action should be taken to achieve the identified sustainable development goals.