

**Anamaduwa Pradeshiya Sabha  
Puttalam District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Financial Statements for the year 2018 had been submitted to audit on 25 March 2019 and the summarized Auditor General's Report relating to that was sent to the Chairman on 30 May 2019 also the detailed Management Report was sent to the Chairman on 26 June 2019.

**1.2 Qualified Opinion**

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In my opinion, except for the effect of the matters described in paragraph of Basis for Qualified Opinion, financial statements give a true and fair view of the financial position of the Anamaduwa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

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**1.3.1 Accounting Deficiencies**

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**(a) Accounting Deficiencies**

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Although the net difference between library book purchases and disposals during the year under review was Rs. 191,544, as of 31 December 2018 a sum of Rs.366,470 had been debited to the Library Book Account through the Journal Entry No. 40.	Changes of the year should be accounted accurately.	I will inform you that the preparation of the financial statements for the year 2019 will be corrected.
(ii) According to the books and schedules maintained by the Sabha, the balance of the pension account payable as at 31 December 2018 was Rs.1,068,339. Nevertheless Rs.1,157,371 had been shown in the financial Statements under stating Rs.89,032 under Current Liabilities.	Account should be corrected.	I will inform you that the preparation of the financial statements for the year 2019 will be corrected by Journal Entries.

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|-------|--|------------------------------|--|
| (iii) | The payable amount of the Kammandaluwa Galkulama Water Project (Phase 2) as at 31 December 2018 included in the Industrial Creditors balance amounted to Rs.183,940 had been shown less in the accounts.           | Account should be corrected. | I will inform you that the preparation of the financial statements for the year 2019 will be corrected by Journal Entries. |
| (iv)  | Withholding amount of Rs.2,222,681 has been refunded by payment voucher No. 589 dated 25 June 2018, but this had been again stated in current liabilities.   | Account should be corrected. | I will inform you that the preparation of the financial statements for the year 2019 will be corrected by Journal Entries. |
| (v)   | The totalled Rs.85,000 for non-performed Haritha Arunalu project Rs.15,000 and for the construction failure bio gas unit amounted to Rs.70,000 during the year under review had been increased showing as debtors. | Account should be corrected. | I will inform you that the preparation of the financial statements for the year 2019 will be corrected.                    |

**(b) Receivable and Payable Accounts**

**(i) Receivable Accounts**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The balance of the five accounts receivable as at 31 December 2018 was Rs.25,240,244 and of which over 5 years balance amounted to Rs.741,723.	Speedy actions Should be taken to recover the receivable amounts.	Out of the arrears of the Rates and Taxes outstanding balances as at 31 December 2018, Rs. 589,457, outstanding Acres tax of Rs. 12,780, General Debtors Rs.539,346 and Industrial Debtors amounted to Rs.10,853,391 had been recovered by April 2019. Action will be taken to recover the balance due.

**(ii) Payable Accounts**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The total balance of two accounts payable as at 31 December 2018 was	Speedy actions will be taken to settle amounts.	Rs.2,536,832 out of the General Creditors balance and Rs. 9,125,514 of the Industrial

Rs.24,663,870 and of which over 05 years amounted to Rs.301,848.

Creditors balance had been settled during April 2019 and action will be taken to settle the balance the balance immediately.

(c) **Lack of Documentary Evidence for Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Evidence relating to 12 Objects totaled Rs. 22,794,903 had not been submitted to audit	----- Action should be taken to submit schedules confirming the balances of accounts along with the final accounts	----- I will inform you that all audit evidence will be submitted in preparation of the final accounts 2019 for the year.

**1.4 Non-compliance**

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

<b><u>Reference to Laws, Rules, Regulations and Management Decisions</u></b>	<b><u>Non-Compliance</u></b>	<b><u>Non-Compliance</u></b>	<b><u>Comments of the Accounting Officer</u></b>
(a) Pradeshiya Sabha Rules (Finance and Administration) of 1988 Rule 33	No action has been taken to prohibit property belonging to persons who fail to pay assessment tax in the Council area.	The outstanding assessments should be recovered promptly.	The property could not be banned in the year 2018 due to the lack of a map of the assessment area and the new jurisdiction has been mapped out and action will be taken to banned the property and recover the arrears.

## 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 2018 had been Rs. 25,294,563 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 17,180,393.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	Estimated Revenue	2018			2017			
		Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	5,761	3,413	2,259	7,441	5,113	5,015	3,663	6,287
Rent	17,698	9,017	8,831	2,025	14,159	10,840	10,384	1,839
Licence Fees	525	1,278	1,278	-	1,438	1,005	1,005	-
Other Revenue	14,755	15,219	19,440	8,442	15,325	10,377	10,205	12,663
<b>Total</b>	<b>38,739</b>	<b>28,927</b>	<b>31,808</b>	<b>17,908</b>	<b>36,035</b>	<b>27,237</b>	<b>25,257</b>	<b>20,789</b>

- ❖ The collected revenue included recoveries from billed revenue in the year under review and recoveries from arrears of revenue in preceding years.

#### 2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
Twenty three per cent of total revenue from rates and taxes receivable with arrears of revenue in preceding years, 81 per cent of revenue from rentals and 70 per cent from other revenue had been collected in the year under review.	Action should be taken to recover arrears immediately.	We are kindly informed that in the year 2019 action will be taken to recover last year's arrears.

### 2.2.3 Rates and Taxes

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Arrears of rates and taxes totalling Rs. 6,287,000 as at the end of the preceding year had increased up to Rs. 7,741,031 by the end of the year under review from 18 per cent. Accordingly, the responsibility of collection of taxes had not been carried out by the Sabha.	Action should be taken to recover arrears rates and taxes immediately.	I would like to inform you that a sum of Rs. 589,456 has been recovered from the arrears for the year ended 31December 2018. I will kindly inform you that the remaining deficits will be banned and recovered in the future.

### 2.2.4 Rent

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken to recover a sum of Rs.539,174 recoverable during the year 2013 to 2017 and Rs. 28,800 in arrears prior to 2015 were not recovered.	Pay special attention and recover quickly.	Legal action had been initiated to recover the arrears of Rs.539,174 and kindly inform that action is being taken to write off the rent outstanding of Rs. 28,800 as it was unable to recover them.

### 2.2.5 Court Fines and Stamp Fees

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Audit Observation	Recommendation	Comments of the Accounting Officer
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Court fines and stamp fees receivable as at 31 December 2018 from the Chief Secretary of the Provincial Council amounted to Rs. 7,343,502 and Rs. 7,343,502 respectively.	Further recoverable of the court fines and stamp duty must take action to recover.	The arrears of court fines so far amounted to Rs.4,381,167 and arrears of stamp fees Rs.5,600,000 as at 31 December 2018 had been recovered by now and kindly inform that the balance too will be recovered soon.

### 3. Operating Review

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#### 3.1 Performance

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In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as 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 within the area, are as follows.

##### (a) By-Laws

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Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of Section 126 of the Pradeshiya Sabha Act, By-Laws had been enacted only for 29 purposes by 31 December 2017.	In terms of the Pradeshiya Sabha Act, By-Laws had to be enacted.	Kindly inform that according to the necessity By-Laws will be enacted in future.

##### (b) Action Plan

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Four activities estimated to Rs.997,835 included in the 2018 Annual Development Plan had not been performed .	Action will be taken to perform the activities mentioned in the Annual Development Plan	Out of the Rs.877,835 a sum of Rs.755,670 allocated for the bus stand had been transferred to other votes and utilized and the remaining three activities were not performed.2019 Please note that from the year 2019 onwards, action will be taken to prevent such shortcomings.
(ii) The progress of 05 activities included in the 2018 Annual Development Plan had been ranged between 3 per cent to 29 per cent.	Action Should be taken to perform the activities included in the Annual Development Plan.	The pre-school repairs and maintenance, drug prevention programs, child abuse and abuse prevention programs have been included in the 2019 creditor's register and I will inform you that such shortcomings will not be addressed in the future.

**(c) Solid Waste Management**

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About 02 Tons of waste are collected daily under the Solid Waste Management Project and a compost yard had been constructed behind the Sabha by spending a sum of Rs.3,256,000 in the year 2011 for manufacture of compost. However, it had become idle by 31 December 2017. Another compost yard had been implemented by spending Rs.2,456,334 under provincial specific grants from the year 2013 to the year 2016.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Under the Solid Waste Management Project, about 2.5 tonnes of Solid Waste is collected daily per day in the council area, with about 1.8 tonnes of waste being used per day for composting. The total quantity of fertilizer manufactured and sold during the year under review was 8260 kg and the income was Rs.82,600. This is a decrease of Rs. 10,400 compared to the previous year's revenue.	Solid waste management should be properly implemented.	During the period the compost yard at the Council premises was moved to the Gurupokuna area outside the Council had not manufactured compost. Income also decreased slightly during that period. Now kindly inform you that the sales have increased and the income has increased.

**(d) Sustainable Development Targets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Even though sustainable development goals were identified as improving access to health care, improving sanitation, improving road rehabilitation and improving the health of the people, the progress of the achievement had been less than 75 per cent .	Action Should be taken to fulfill the sustainable development goals.	Although it is planned to reach the Sustainable Development Goals, it is noteworthy that due to lack of physical and human resources, this progress has been less than 75%. I would like to inform you that steps will be taken to enhance its progress in the future

### 3.2 Human Resources Management

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Thirteen and 10 vacancies existed in the posts of secondary and primary levels of the Sabha respectively and 13 employees had been deployed in casual/ substitute posts exceeding the approved cadre.	Action will be taken to fill the vacancies,	Seven primary grade posts have been recruited and 13 casual / substitute employees are in excess. These employees have been recruited to compost yard as needed. Further noted that steps are being taken to make these positions permanent.
(b) <b><u>Staff Loan</u></b> A Loan balance of Rs. 2,500 for a terminated employee and Rs. 9,441 for a retired employee had not been paid since 2012.	Action Should be taken to recover the Staff loan promptly.	We have kindly informed that to recover the balance it is informed in writing and accordingly action will be taken to recover the balance.

### 3.3 Procurement

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Audit Observation	Recommendation	Comments of the Accounting Officer
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A Procurement Plan had not been prepared for the year under review.	An Annual Procurement Plan should be prepared.	A Procurement Plan has been prepared for the year 2019 and I will kindly inform you that such shortcomings will not occur again.



#### 4. **Good Governance and Accountability**

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##### 4.1 **Budgetary Control**

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The following matters were observed.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Out of provisions amounting to Rs. 1,225,064 made for 08 Objects and none of them had been spent.	Action should be taken to ensure maximum benefit from the proceeds.	Due to the reasons such as the necessity of buying goods had not arisen, no requests for welfare, and vacancies due to vacancies existed the provision had been saved.