

Maritime Pattu Pradeshiya Sabha

Mullaitivu District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 02 April 2013 and the financial statements for the preceding year had been presented on 10 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 20 November 2013.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Maritime Pattu Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012. and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Maritime Pattu Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

(a) The accounting deficiencies observed in the financial statements are shown in the following table under revenue, expenditure, assets and liabilities.

Effect on Financial Statements	Revenue		Expenditure		Liabilities		Assets	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.		Rs.
Understatements	4	167,682	--	--	1	4,790	--	--
Overstatements	--	--	1	220,451	2	122,477	--	--
Classification Errors	--	--	--	--	1	158,054	1	273,465

(b) fourteen Ploughing Machines and eight bowzers donated to the Sabha had not been valued and brought to accounts.

1:3:2 Lack of Evidence for Audit

Transactions valued at Rs.35,941,771 could not be vouched in audit due to non-
rendition of necessary information for audit.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.13,516,199 as compared with the excess of revenue over recurrent expenditure amounting to Rs.31,904,949 for the preceding year.

2:2 Financial Control

The budget had not been prepared properly and as such variances amounting to Rs.782,647 and Rs.6,842,139 respectively were observed in audit between the budgeted and actual revenue and the budgeted and actual expenditure.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and the Arrears of Revenue.

The information on the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Secretary, appear below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	187	207	--
Lease Rent	9,045	12,116	--
Licence Fees	555	1,311	--
Other Revenue	<u>21,392</u>	<u>18,324</u>	<u>178</u>
	<u>31,179</u>	<u>31,961</u>	<u>178</u>

2:3:2 Loss of Revenue

The electricity activities of the Sabha had been entrusted to the Ceylon Electricity Board since 1999. But, the sum of Rs.273,465 spent by the Sabha for fixing street lamps had not been reimbursed by the Board resulting in a loss to the Sabha.

2:3:3 Court Fines

Accounts had not been maintained for the sum of Rs.4,664,333 due as court fines for the year under review.

2:3:4 Stamp Fees

Accounts had not been maintained for stamp fees of Rs.2,468,180 due for the year under review.

2:4 Assets Management

2:4:1 Idle Physical Resources

Three pluoghing machines 2 bowsers and a bicycle were idling during the under year under review

2:4:2 Board of Survey Reports

- (a) Action had not been taken to dispose of 14 goods of 08 varieties referred to as per board of survey reports
- (b) Shortages were revealed in nine items of 03 varieties as per reconciliation of book balances with the physical balances.

2:4:3 Arrears of Staff Loans

The Sabha had not taken action to recover the arrears of loans amounting to Rs.564,048 due from 7 officers of the Sabha who had gone on transfers.

2:5 Non-compliance

The following non-compliances with laws, rules, and regulations were observed in audit.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules	

(i) Chapter III Section 12(1)	Activities relating to rates and taxes had not been carried out.
(ii) Chapter III Section 29	Daily collections had not been banked.
(iii) Chapter III Sections 59,60	A survey of business tax had not been carried out.
(iv) Chapter III Section 65	The revenue clerk had not prepared a list of defaulters of business licences and forwarded it to the Secretary.
(v) Chapter III Section 66	The Secretary had not taken action to recover arrears of stall rent and beef stall rent of Rs.178,083 in terms of Section 150(4) of the Pradeshiya Sabha

Act, No. 15 of 1987.

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|--|--|
| (vi) Chapter IV Section 97 | Programme and Object Codes appearing in the paid vouchers differed from those in the budget. |
| (vi) Chapter V Section 140 | The Secretary had not taken action with regard to advances of Rs.635,421 remaining unsettled on the due dates. |
| (b) Inland Revenue Act, No. 10 of 2002 | Value Added Tax of a month should be remitted to the Department of Inland Revenue before 15 th of the following month. But the value added tax of Rs.2,886,578 recovered during 2010-2012 were lying in the miscellaneous deposits. |
| (c) Nation Building Tax No. 09 of 2009 | The Nation Building Tax of Rs.532,124 recovered during 2010-2012 remained in the Deposit Account without being remitted to the Department of Inland Revenue. |

2:6 Contract Administration

2:6:1 Delays in Implementation of Projects

The construction of upper floor of the head office estimated at Rs.1,860,000 to be implemented during the year under review had been delayed. In this connection, a sum of Rs.2,960,000 had been accounted for in the Sundry Debtors Account.

3. Systems and Controls

3:1 Special attention is needed in respect of the following areas of control.

- (a) Collection of Revenue
- (b) Fixed Assets
- (c) Accounting
- (d) Vehicle Utilization
- (e) Miscellaneous Deposits
- (f) Budget