
Pudukudiyiruppu 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 13 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 Pudukudiyiruppu 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 Pudukudiyiruppu 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

The accounting deficiencies observed in the financial statements are analyzed in the table below, under revenue and liabilities.

Effect on Financial Statements	Revenue		Liabilities	
	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.
Understatements	3	3,059,649	--	--
Overstatements	2	146,700	2	1,906,611
Omissions	--	--	1	786,761

1:3:2 Lack of Evidence for Audit

Transactions valued at Rs.27,086,938 could not be satisfactorily vouched in audit due to non-remission of necessary information to 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.7,490,686 as compared with the excess of revenue over recurrent expenditure amounting to Rs.43,933,815 for the preceding year.

2:2 Financial Control

The budget had not been satisfactorily prepared and as such the differences between the budgeted and actual revenue and expenditure amounted to Rs.9,949,305 and Rs.4,323,639 respectively.

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 furnished 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	12	5,361	--
Lease Rent	19,073	591	--
Licence Fees	587	1,726	--
Other Revenue	11,249	13,294	8,148
	30,921	20,972	8,148
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2:3:2 Stall Rent

Action had not been taken to recover the arrears of rent of Rs.656,200 from 42 stalls at Murikandy during the year under review and the previous year.

2:3:3 Court Fines

Although the court fines of Rs.5,495,479 due for the year under review had been accounted for, as revenue and receivables, it had not been recovered even upto the date of report.

2:3:4 Stamp Fees

- (a.) Stamp fees of Rs.101,200 due from the Registrar General had not been recovered upto the date of report.
- (b.) A list of stamp fees due for the year under review had not been obtained from the Registrar General.

2:4 Assets Management

2:4:1 Board of Survey Reports

The Quantity shown in excess and shortages relating to six items were revealed between the board of survey report and the actual stock.

2:4:2 Advances

- (a.) Advances amounting to Rs.27,232,376 granted from the funds of the Sabha during 2008-2012 had not been settled upto end of the financial year.
- (b.) Salary advance of Rs.130,000 paid to an officer in 2008 had not been recovered.
- (c.) Advances amounting to Rs.274,367 granted to the Muththayankattu Multipurpose Co-operative Society in 2010 had not been settled upto the date of report.
- (d.) Advances amounting to Rs.20,000 granted to the Heavy Vehicle Owners' Co-operative Society in 2010 had not been settled upto the date of report.

2:4:3 Staff Loans

Action had not been taken to recover from the gratuity/ sureties the arrears of loans of Rs.102,205 due from deceased/ retired officers.

2:5 Non-compliance

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

Reference Laws, Rules and Regulations	Non-compliance
(a.) 1988 Pradeshiya Sabha (Finance and Regulations) Rules	
(i.) Chapter II Section 5 Sub-section XII	It was not confirmed whether security had been furnished by officers dealing with cash, stores etc.
(ii.) Chapter III Section 29	A cash balance of Rs.1,394,806 was in the custody of the officer dealing with cash at the end of the financial year it was observed that collections had not been banked daily.

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| (iii.) Chapter III Sections 59, 60 | A survey regarding business tax had not been carried out. |
| (iv.) Chapter III Section 65 | A defaulters list relating to business tax had not been prepared and furnished to the Secretary by the revenue officer. |
| (v.) Chapter III Section 66 | The Secretary had not taken action to recover the arrears of Rs.8,148,298 in terms of Section 150(4) of the Pradeshiya Sabha Act No. 15 of 1987. |
| (vi.) Chapter IV Section 97 | Code Numbers and items of expenditure shown in the paid vouchers had not been shown in the manner in which it had been shown in the budget. |
| (vii.) Chapter IV Section 112 | Work completion certificates had not been furnished. |
| (viii.) Chapter IV Section 113 | Certificates regarding satisfactory completion of work according to specifications had not been obtained with reference to retention. |
| (ix.) Chapter V Section 140 | The Secretary had not taken action to recover the advance of Rs.27,232,377 on the due dates. |
| (b.) Pradeshiya Sabha Act, No. 15 of 1987
Section (g) Sub Section 132(j) | A sum of Rs.29,550 had been spent to entertain the lecturers and students of the University of Moratuwa without the prior approval of the Minister in Charge of the Subject. |
| (c.) Financial Regulations | |
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| (i.) No. 1646 | Daily running charts and monthly performance summaries of vehicles of the Sabha had not been furnished to the Auditor General. |

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| (ii.) No. 700 Section (v) | The second copy of the tender awarded together with the recommendations of the tender board had not been furnished to the Auditor General. |
| (iii.) No. 702 Section (03) | Copies of agreements had not been furnished to the Auditor General. |
| (iv.) No.571 | Action had not been taken with regard to deposits of Rs.212,411 exceeding 2 years. |
| (d.) Procurement Guidelines 9.3.1. Appendix 19 | Approval of the Secretary to the Ministry had not been obtained for repairs to vehicles amounting to Rs.519,987. |

2:6 Contract Administration

2:6:1 Delays in Implementation of Projects

Two projects valued at Rs 348,240 to be completed before the end of the financial year had not been completed and had been shown in the sundry debtors account.

2:6:2 Completely Abandoned Projects

The capital projects for Rs. 4 million budgeted for the year under review had not been carried out and a sum of Rs.6 million had been deposited in a fixed deposit. Accordingly, it was observed that the public had not derived their benefits, expected from these projects.

2:7 Operating Inefficiency

The sum of Rs.164,937 obtained for the community centre from the Commissioner of Local Government in 2010 remained in the sundry deposit account without being used for the intended purpose.

3. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Collection of Revenue
- (b) Fixed Assets Control
- (c) Accounting
- (d) Staff
- (e) Donations
- (f) Vehicle Utilization
- (g) Sundry Deposits
- (h) Budget