

Arachchikattuwa Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 23 April 2012 and the financial statements for the preceding year had been presented on 15 May 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 14 November 2012.

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 Arachchikattuwa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, 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 Arachchikattuwa Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

According to the Accounting Policy No. 04 disclosed in the financial statements, the revenue and expenditure of the Sabha are accounted on accrual basis. But, there were instances where this policy had not been complied with.

1.3.2 Unreconciled Control Accounts

According to the financial statements, the value of 05 items of accounts was Rs. 16,061,916 where as the value as per relevant subsidiary registers was Rs. 17,362,311 indicating an unreconciled balance of Rs. 1,300,395

1.3.3 Lack of Evidence for Audit

Transactions totalling Rs. 13,020,651 could not be satisfactorily vouched in audit due to the non-submission of required 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 2011 amounted to Rs.7,087,587 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,234,062 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	2,933	1,100	7,642
(ii) Lease Rent	2,046	1,452	3,900
(iii) Licence Fees	660	660	-
(iv) Other Revenue	22,159	15,222	16,271

2.2.2 Weekly Fair and Property Tax

Action had not been taken even during the year under review for the recovery of taxes amounting to Rs. 4,314,248 due from weekly fair and other properties for over a long period.

2.2.3 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are given below.

	Rs.
(i) Court Fines	5,427,559
(ii) Stamp Fees	10,770,590

2.3 Surcharges

Surcharge action will be initiated by me in due course in respect of transactions amounting to Rs. 4,407,050

2.4 Corporate Plan and Action Plan

A corporate plan and an annual action plan had not been prepared in terms of Circular No. PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance.

3. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Debtors and Creditors Control.