

**Puttalam 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 26 March 2012 and the financial statements for the preceding year had been presented on 28 February 2011. The report of the Auditor General for the year under review was issued to the Chairman on 20 September 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 Puttalam 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 Puttalam 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 Deficiencies**

The debtors balance, surplus for the year and the advance account respectively had been overstated by Rs. 8,465,791, Rs. 3,000,000 and Rs. 24,932 and the fixed assets had been understated by Rs. 30,000.

**1.3.2 Lack of Evidence for Audit**

Transactions totalling Rs. 44,325,602 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.11,433,342 as compared with the excess of revenue over recurrent expenditure amounting to Rs.8,486,523 for the preceding year.

### **2.2 Financial Control**

-----

The following deficiencies in financial control were observed.

- (a) The total of the balances according to the subsidiary registers in respect of 09 items of accounts amounted to Rs. 80,883,180 whilst the total of the said items of accounts as per financial statements amounted to Rs. 80,452,590 thus, indicating a difference of Rs. 430,590
- (b) The value of accounts payable as at 31 December 2011 amounted to Rs. 20,031,208 and of this, the balances of accounts exceeding one year amounted to Rs.12,697,322
- (c) Value Added Tax amounting to Rs. 1,754,673 collected from 3<sup>rd</sup> quarter of the year 2009 to 4<sup>th</sup> quarter of the year 2011 and the Nation Building Tax amounting to Rs. 244,567 collected from 4<sup>th</sup> quarter of the year 2009 to 4<sup>th</sup> quarter of the year 2011 totalling Rs. 1,999,240 had been retained in the Sabha without being remitted to the Commissioner General of Inland Revenue.
- (d) The value of accounts receivable as at 31 December 2011 was Rs. 34,772,391 and of this, the total of the balances exceeding one year amounted to Rs. 16,127,411
- (e) The total of the balances of employees' loans outstanding as at 31 December 2011 amounted to Rs. 1,850,923 and of this, the total of the balances exceeding one year amounted to Rs. 1,241,629. Loan balances due from 14 officers who had

vacated posts, gone on transfers, deceased and retired amounting to Rs. 42,893 had remained outstanding for over several years.

- (f) The value of non-moving current assets for over 07 years as at 31 December 2011 amounted to Rs. 691,906
- (g) Loan instalments and interest relating to loan amounting to Rs. 24 million provided by the Local Loans and Development Fund in the year 2009 for 04 projects had not been properly paid and as a result penalty amounting to Rs. 106,656 had been paid from the funds of the Sabha during the year 2011.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the estimated revenue, the 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
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	1,073	709	364
(ii) Lease Rent	4,384	4,278	106
(iii) Licence Fees	1,612	1,612	-
(iv) Other Revenue	17,867	16,623	1,244

### 2.3.2 Court Fines and Stamp Fees

The amount receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council is given below.

	Rs.
(i) Court Fines	2,327,729
(ii) Stamp Fees	8,465,791

## 2.4 Idle Physical Resources

Information relating to idle physical resources is shown below.

Type of Asset	Value	Idle Period
	Rs.	
Double cab bearing No 53-6135	625,000	03 years
Two water Bowers	165,500	03 years
Hand Tractor bearing No SF – 9114	172,900	02 years
Hand Tractor bearing No. SC – 2824	300,000	02 years
Bicycle	5,055	02 years
Water Motor (Honda)	35,000	01 year
Water Pump (Lister)	15,000	01 year
Water Motor (Kubota)	19,030	01 year
Duplicating Machine (Canon)	172,500	01 year
Typewriter (Adler)	3,500	01 year
Computer (Lenovo)	79,000	01 year
Lorry bearing No. 43-7003	580,000	03 months
	----- 2,172,485 =====	

## 2.5 Internal Audit

An adequate internal audit had not been carried out in the institution.

## 3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Control over Vehicles.