

Puthukkudiyirippu Pradeshiya Sabha
Mullaitivu 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 April 2012 and the financial statements for the preceding year had been presented on 19 April 2011. The report of the Auditor General for the year was issued to the Chairman of the Sabha on 14 May 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 Puthukkudiyirippu 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 forwarded to the Chairman , the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Puthukkudiyirippu Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Deficiencies in presentation of Financial Statements

The following matters were observed.

- (a) Explanations had not been furnished for the differences between the budget and the actuals in the financial statements.
- (b) Accounting policies adopted for the preparation of the financial statements had not been disclosed with the financial statements.

1.3.2 Accounting Deficiencies

The accounting deficiencies observed in the financial statements are shown in the following table in respect of revenue and assets.

Effects on financial statements	Revenue		Assets	
	No.of instances	Value Rs	No.of instances	Value Rs
Understatements	-	-	02	18,624,761
Overstatements	04	3,780,306	01	4,721

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs 6,986,786 could not be satisfactorily vouched in audit due to the non submission of the 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. 3,028,052 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 3,141,212 for the preceding year.

2.2 Financial Control

The following financial control deficiencies were observed.

- (a). Development reserve amounting to Rs.44, 000,000 allocated by the North East Local Services Improvement project had not been utilized for the intended purpose.
- (b). Action had not been taken to settle the loan balance amounting to Rs 50,000 which was accounted as sundry creditors.
- (c). Action had not been taken to settle the telephone bill amounting to Rs.4,003 relating to year 2010.

2.3 Revenue Administration**2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is given below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December

		Rs	Rs	Rs
(i)	Rate and Taxes	90,000	67,103	-
(ii)	Lease Rent	10,296,000	2,419,580	-
(iii)	Licence Fees	990,000	262,883	-
(iv)	Other Revenue	16,501,960	9,243,173	6,304,882

2.3.2 Courts Fines and Stamp Fees

- (a) Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provisional Council and other authorities amounted to Rs.1,592,168.
- (b) Stamp fees recoverable from the Registrar General had not been computed and accounted for the year 2011.

2.4 Transactions not supported by Adequate Authority

- (a). Payment of Bus hire amounting to Rs.10,000 on 05 July 2011 for NELSIP project works had not been authorized
- (b). Acting salary amounting to Rs.84,459 had been paid to the Secretary from the Sabha Funds without prior approval.

2.5 Operating/Management Inefficiencies

The following observations are made.

- (a). The pension deductions for the year 2005 and 2006 amounting to Rs.113, 598 had not been paid to the Director of Pensions and had been deposited in the miscellaneous deposits account.
- (b). The Programme Assistant's salary amounting to Rs.46,832 paid had been transferred to the miscellaneous deposits account.

- (c). The grant for the Community Centre amounting to Rs.164,937 given by the Commissioner of Local Government had not been utilized for the intended purpose and it had been transferred to the miscellaneous deposits account.
- (d). ETF and EPF deductions amounting to Rs 91,975 had not been remitted to the ETF and EPF instead it had been transferred to the miscellaneous deposits account.
- (e). The deductions for Widows and Orphans Pensions amounting to Rs.2,787 had not been remitted to the Widows and Orphans Pension Fund and that amount had been transferred to the miscellaneous deposits account.

2.6 Performance

Although budgetary allocation amounting to 2,300,000 had been made for six projects, the said projects had not been implemented in the year 2011.

3 Systems and Controls

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

- (a) Revenue Collection
- (b) Fixed Assets
- (c) Accounting
- (d) Human Resources
- (e) Vehicle Utilization
- (f) Miscellaneous Deposits
- (g) Budgetary Control