

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 28 March 2013 and the financial statements for the preceding year had been presented on 23 April 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 31 October 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 Arachchikattuwa 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 Arachchikattuwa Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) Two items of assets purchased at Rs.81,339 during the year had not been capitalized.
- (b.) Although the income and expenditure had been accounted on accrual basis, provision had not been made in the financial statements in respect of rates amounting to Rs.68,759 received for the ensuing year.
- (c.) The double cab and photocopying machine purchased during the year under review had been capitalized inclusive of Value Added Tax amounting to Rs.857,169 paid at the time of purchase. Therefore, fixed assets account and the

revenue contribution to capital outlay account had been overstated by a similar amount.

- (d.) The hypothetical value of stamp fees accounted for the year 2010 amounted to Rs.3,500,000 and the stamp fees received during the year under review in respect of year 2010 amounted to Rs.4,777,078. Therefore the debtors and the accumulated fund had been understated by the under provision of Rs.1,277,078.
- (e.) Capital aid amounting to Rs.1,844,896 received during the year had not been credited to the income and expenditure account and the credit balance of the capital aid account had been shown in the financial statements after deducting the other revenue in arrears.. Due to this, the value of the capital aid and the other revenue in arrears had been understated in the financial statements by Rs.1,844,896.

1.3.2 Unreconciled Control Accounts

The balance of 05 items of accounts as per financial statements amounted to Rs.16,266,139 and according to the relevant subsidiary registers, the balance amounted to Rs.16,303,168. As such there were an reconciled minus balance of Rs.218,975 and a positive balance of Rs.256,004.

1.3.3 Accounts Payable

The value of the balances of accounts payable was Rs.9,762,705 as at 31 December 2012 and the accounts payable for over one year amounted to Rs.4,469,293.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.33,162,508 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 2012 amounted to Rs.1,548,161 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,087,587 for the preceding year.

2.2 Revenue Administration

2.2.1 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 shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	2,932	2,612	(8,542)
(ii.) Lease Rent	2,319	1,925	5,990
(iii.) Licence Fees	925	827	32
(iv.) Other Revenue	27,713	69,289	14,412

2.2.2 Rates and Taxes

Rates in arrears for over 01 year as at end of the year under review due from 1380 units amounted to Rs.5,680,341.

2.2.3 Lease Rent

Action had not been taken during the year under review too; to recover lease rent amounting to Rs.4,145,904 outstanding for over a long period in respect of the Weekly Fair and the other properties owned by the Sabha.

2.2.4 Court Fines and Stamp Fees

Money receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2012 are shown below.

	Rs.
(i.) Court Fines	3,013,184
(ii.) Stamp Fees	5,474,577

2.3 Idle and Underutilized Physical Resources

Construction of the Anawilundawa Fish market of which the estimated cost was Rs.2,685,570 and an expenditure of Rs.1,618,954 had been incurred during the year 2005. Construction works had not been completed due to the lack of provisions. A examination carried out July 2013 revealed that it had been idling.

2.4 Irregular Transactions

(a.) Purchase of a Double Cab

A double cab had been purchased from a private company spending Rs.7,900,000 from the Sabha funds during the year under review.

Following observations are made in this connection.

- (i.) Adequate provisions had not been made in the annual budget and the procurement procedure had not been followed.
- (ii.) The approval had not been obtained at a general meeting of the Sabha to spend the total expenditure of Rs.7,900,000 from the Sabha funds.
- (iii.) The approval of the Government Expenditure Control Committee had not been obtained.

(b.) Fuel Consumption

A monthly fuel limit for the official vehicle of the Chairman had not been fixed by the Sabha. As such a sum of Rs.401,144 had been spent for 3259 litres of fuel for the period of 04 months from August to November 2012.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration