

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 13 March 2013 and the financial statements for the preceding year had been presented on 26 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 07 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 Puttalam 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 Puttalam Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The value of 05 buildings constructed by the Solid Waste Management Project amounting to Rs.5,070,362; the value of Kandakuliya Pre-school building amounting to Rs.319,879; and the value of library books received as donations amounting to Rs.72,675 had not been taken to the fixed assets accounts.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.98,394,287 could not be satisfactorily vouched in audit due to 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 2012 amounted to Rs.10,892,876 as compared with the excess of revenue over recurrent expenditure amounting to Rs.11,433,342 for the preceding year.

2.2 **Financial Control**

The following deficiencies in financial control were observed.

- (a.) According to the financial statements presented to audit the total of the balances relating to 06 items of accounts amounted to Rs.10,200,319 and according to the registers maintained for the said items; the total of the balances of accounts amounted to Rs.11,014,486 thus indicating a difference of Rs.1,406,455 in the accounts.
- (b.) The value of accounts payable by the Sabha as at 31 December 2012 amounted to Rs.29,059,440 and of this, the value of balances for over one year amounted to Rs.3,191,281.
- (c.) The value of the accounts receivable as at 31 December 2012 amounted to Rs.8,731,252 and the total of the balances for over one year amounted to Rs.7,954,786.
- (d.) Employees loan balances recoverable as at 31 December 2012 amounted to Rs.1,850,923 and the loan balances amounting to Rs.45,844 due from 14 employees vacated their posts, transferred, deceased and retired had been outstanding for over a number of years.
- (e.) The value of accounts receivable amounting to Rs.691,906 had remained non-moving from year 2004 to 31 December 2012.
- (f.) The following taxes had been retained without being remitted to the Commissioner General of Inland Revenue.

	Rs.
(i.) Value Added Tax	1,912,830
(ii.) Nation Building Tax	333,971

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 shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	1,077	1,146	-
(ii.) Lease Rent	3,737	5,803	-
(iii.) Licence Fees	2,311	2,311	-
(iv.) Other Revenue	36,753	34,671	2,082

2.3.2 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.
(iii.) Court Fines	5,000,000
(iv.) Stamp Fees	22,419,258

2.4 Idle and Underutilized Physical Resources

Fourteen items of motor vehicle equipment valued at Rs.830,555 remained idle and underutilized for over a number of years.

2.5 Irregular Transactions

The Commissioner of Local Government had given approval to spend up to Rs.200,000 out of the expenditure estimate of Rs.467,000 prepared for the World Children's Day - 2012 from the Sabha funds and to obtain the balance money from the sponsors. But, contravening the above approval; a sum of Rs.186,745 exceeding the above limit had been spent out of the Sabha funds without any approval.

2.6 Internal Audit

Adequate internal audit had not been carried out at 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