

## **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 31 March 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of Auditor General for the year under review was sent to the Chairman of the Sabha on 11 December 2014.

##### **1.2 Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the 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 2013 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 following observations are made.

- (a.) According to the Register of Stall Rent, the amount billed for the year under review was Rs.802,980 and it had been accounted as Rs.200,745. Therefore stall rent income of the year under review had been understated by Rs.602,235.
  
- (b.) The instalments and interest on the loan obtained from the Local Loans and Development Fund for a road development project had not been paid duely and therefore the Chief Secretary - Wayamba had directly paid a sum of Rs.1,277,505 to the Local Loans and Development Fund out of the court fines due to the Sabha in year 2011. This transaction had not been accounted and as such loan and interest payable to the Local Loans and Development Fund had been overstated and court fines receivable to the Sabha in 2011 had been understated by a similar amount.

###### **1.3.2 Unreconciled Control Accounts**

According to the financial statements, the total of 06 items of accounts amounted to Rs.32,963,177 and according to the subsidiary registers the total of the relevant balances amounted to Rs.35,736,583. Therefore, an unreconciled balance of Rs.2,773,406 was observed.

### **1.3.3 Lack of Evidence for Audit**

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Transactions totaling Rs.41,050,512 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.1,978,645 as compared with the excess of revenue over recurrent expenditure amounting to Rs.10,892,876 for the preceding year.

### **2.2 Financial Control**

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Value Added Tax amounting to Rs.1,912,830 and Nation Building Tax amounting to Rs.333,971 collected during the period of third quarter 2009 to fourth quarter 2012 had not been remitted to the Commissioner General of Inland Revenue contrary to the provisions of the Value Added Tax Act No.14 of 2002 and Nation Building Tax Act No.09 of 2009.

### **2.3 Revenue Administration**

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

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

	<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
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		Rs. '000	Rs. ' 000	Rs. '000
(i)	Rates and Taxes	3,225	1,141	2,801
(ii)	Lease Rent and Stall Rent	976	5,723	2,848
(iii)	Licence Fees	6,975	4,059	203,908

### **2.4 Court Fines and Stamp Fees**

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Court fines recoverable from May to December 2013 and stamp fees recoverable from October to December 2013 from the Chief Secretary and other authorities had not been recovered.

## **2.5 Idle and Underutilized Physical Resources**

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Sample audit examinations revealed that the Double Cab bearing No.53-6135 valued at Rs.625,000. Hand Tractor bearing No.SF-9114 valued at Rs.165,500; Bicycle valued at Rs.5,055 and the Water Motor valued at Rs.35,000 owned by the Sabha had been lying idle for periods ranging 03 to 05 years.

## **2.6 Irregular Transactions**

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- (a.) Salaries amounting to Rs.953,232 had been paid to a female Health Labourer attached to the Sabha throughout 04 years even though she had not reported for duty.
- (b.) A sample audit examination revealed that the employees of the Sabha who had collected rent from the weekly fair on 108 counterfoil receipts had not handed over the money to the Sabha and that the money misused amounted to Rs.15,615.

## **2.7 Operating Inefficiencies**

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The following observations are made.

- (a.) Weekly fair rent collected by the employees of the Sabha had been handed over to the Sabha after a delay of 155 days.
- (b.) Surcharges amounting to Rs.3,807 levied on the Sabha had been paid by the end of the year under review due to delay in payment of contributions to the Employees Provident Fund in respect of the employees served in the Sabha and a further sum of Rs.1,117,364 is payable in due course.
- (c.) The balance of employees loans recoverable as at 31 December 2013 amounted to Rs.2,994,962 and employees loan balances amounting to Rs.45,844 due from 14 employees who had vacated their posts, transferred, deceased and retired had been outstanding for over a number of years.

## **3. Systems and Controls**

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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 Employees Loans
- (d.) Control over Vehicles