

Padavi Sri Pura Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 April 2012 and the financial statements for the preceding year had been presented on 05 May 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 17 April 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 Padavi Sri Pura 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, 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 Padavi Sri Pura 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 Accounting Deficiencies

- (i) The value of computers belonging to the Sabha had not been accounted for.
- (ii) Nine items of assets had not been shown under fixed assets. The value of 6 items of assets amounted to Rs.2,507,200.

- (iii) A difference of Rs.7,836 was observed between the balance of the furniture and fittings in the financial statements and balance shown in the schedule of fixed assets.

1:3:2 Lack of Evidence for Audit

- (a) Certificates of fixed deposits valued at Rs.300,000 had not been presented for audit.
- (b) The Employees' Loan Ledger had not been balanced as at 31 December 2011 and the connected files had not been furnished to audit to confirm the balance of employees' loans amounting to Rs.1,738,600.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements, presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2011 was Rs.186,388 as compared with the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.689,530.

2:2 Financial Control

Expenditure had been incurred without properly making provision after exhausting the provision allocated for 5 expenditure heads.

2:3 Revenue Administration

2:3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The estimated revenue, actual revenue and arrears of revenue for the year under review appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs'000	Rs'000	Rs'000
i. Rates and Taxes	44	44	--
ii. Lease Rent	385	360	96
iii. Licence Fees	178	198	36
iv. Other Revenue	2,127	2,270	254

2:4 Operating Inefficiencies

The following matters are observed.

- (a) (i) Four balances of revenue debtors exceeding one year amounted to Rs.128,219. Action had not been taken to recover these.
 - (ii) Action had not been taken to recover the advances of 160,653 granted by the Sabha although one year had elapsed.
 - (iii) The Sabha had not maintained a register of deposits. As such, it was unable to confirm the balance of miscellaneous deposits amounting to Rs.849,792 shown in the financial statements.
- (b) Although a sum of Rs.28,321,992 had been totally received for the North East Local Services Improvement Project, made up of Rs.14,565,000 in May 2011 and Rs.13,756,992 in 31 December 2011, it was observed that the construction work had not commenced.

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management