

**Pothuvil Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 19 March 2012 and the financial statements for the preceding year had been presented on 16 May 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 14 August 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 Pothuvil 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 Pothuvil 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

The following accounting deficiencies were observed.

- (a) Provision for audit fees had not been made in terms of Section 172(2) of the Pradeshiya Sabha Act No. 15 of 1987.
- (b) The Value Added Tax of Rs.1,836,250 remained in the deposits account for a long period without being refunded.

- (c) Ploughing machine donated by the United Nations Development Programme in 2006 had not been valued and brought to account.
- (d) Accumulated Fund had been brought to account representing working capital alone without reflecting the fixed assets.
- (e) Fourteen vehicles and machines obtained during the previous years had not been valued and brought to account.

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 was Rs.2,155,786 as against the excess of recurrent expenditure over revenue of the Sabha amounting to Rs.3,193,890 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a) Action had not been taken to recover the arrears of revenue amounting to Rs.530,210 from the public market and meat stalls.
- (b) Advances of Rs.253,000 remained unsettled for a long period.
- (c) The Sabha had not taken any action to recover the land tax of Rs.217,141 shown in the accounts.
- (d) Action had not been taken for a long period to recover the loans amounting to Rs.489,550 given to the employees.
- (e) Action had not been taken to recover the value of 3 dishonoured cheques amounting to Rs.8,647.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

The information relating to 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.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	10	6	-
(ii) Lease Rent	2,820	4,949	2,813
(iii) Licence Fees	765	624	-
(iv) Other Revenue	2,537	469	-

2.3.2 Court Fines and Stamp Fees

The amount due from the Chief Secretary of the Provincial Council and other authorities as court fines and stamp fees as at 31 December 2011 were Rs.5,531,184 and Rs.561,450 respectively.

2.4 Human Resources Management

2.4.1 Approved and Actual Cadre

The approved and actual cadre of the Sabha as at 31 December 2011 is given below.

Category of Posts	Approved	Actual
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Executives	01	-
Subordinates	07	09
Primary	16	15
Others	-	15
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	24	39
	=====	=====

2.5 Employees' Loans

Action had not been taken by the Sabha to recover Rs.844,570 due from 27 employees who had been transferred, interdicted and vacated posts during the year 2009.

2.6 Internal Audit

Adequate internal audit had not been carried out by the Sabha.

3. Systems and Controls

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

- (a) Accounting
- (b) Financial Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contract Administration