

Puthukudiyiruppu Pradeshiya Sabha

Mullaitivu District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 02 August 2014 and the financial statements for the preceding year had been presented on 02 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 December 2014.

1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters described in paragraph 1.3 of this 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 Puthukudiyiruppu Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

(i) The accounting deficiencies observed in the financial statements are shown in the following table under revenue, liabilities and assets.

Effect on Financial Statements	Revenue		Liabilities		Assets	
	No. of Instances	Value	No. of Instances	Value	No. of Instances	Value
		Rs.		Rs.		Rs.
Overstatements	01	2,473,550	02	16,639,639	01	143,455
Omission	-	-	01	812,308	-	-

- (ii) The value of 13 vehicles obtained by the Sabha during the year under review and the pervious years had not been assessed and included in the final accounts and as such value of vehicles had been understated in the accounts.

1.3.2 Lack of Evidence for Audit

Three transactions valued at Rs.33,940,406 could not be satisfactorily vouched in audit due to non-rendition of necessary information for audit.

1.3.3 Non-compliance

The following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations	Non-compliance
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(a.) 1988 Pradeshiya Sabha (Finance and Administration) Rules	

(i.) Chapter III Section 66	Action had not been taken to recover arrears of revenue of Rs.13,332,836
(ii.) Rule 234	Three uncashed cheques amounting to Rs.5,478 had been included in the miscellaneous deposit account.
(iii.) Rule 571	Action had not been taken with regard to lapsed tender deposits of Rs.414,000.
(b.) Inland Revenue Act No.14 of 2012	The Value Added Tax of Rs.157,833 had been included in the miscellaneous deposits account without being remitted to the Department of Inland Revenue.
(c.) Widows and Orphans' Pensions Act No 24 of 1983	The contributions of Rs.4,340 from officers had not been remitted to the Department of Pensions.

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 under review was Rs.23,567 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,940,686 for the preceding year.

2.2 Financial Control

The budget had not been properly prepared so that there were differences between the budgeted revenue and expenditure and the actual revenue and expenditure which amounted to Rs.10,559,796 and Rs.17,958,105 respectively.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and Taxes	25	90	-
Lease Rent	8,646	9,766	-
Licence Fees	2,948	2,559	-
Other Revenue	29,473	18,208	13,332
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	41,092	30,623	13,332
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2.3.2 Revenue Management

(a.) Rent

Legal and effective action had not been taken to recover arrears of rent of Rs.858,023 due to the Sabha for the year under review and the previous years.

(b.) Licence fees

Licence fees are accounted for only when they are received and the arrears had not been accounted for.

(c.) Court Fines

The court fines due for the year under revenue amounting to Rs.11,585,763 had been accounted for, as receivable. Action had not been taken to recover it.

(d.) Stamp Fees

The stamp fees due for the year under review and the previous year amounting to Rs.484,600 had been accounted for as receivable. Action had not been taken to recover it.

2.4 Staff Loans Recoverable

Staff loans of Rs.97,775 were due from 2 retired officers. Action had not been taken to recover it from sureties upto the date of this report.

2.5 Assets Management

A comparison of the board of survey report with the register of stocks revealed excess of 4 items and shortage of 2 items.

2.6 Projects Not Completed

Two projects valued at Rs.556,962 to be completed during the year under review had not been completed upto the date of this report although it had been accounted for, as capital expenditure.

3. Systems and Controls

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

- (i) Deposits
- (ii) Sundry deposits
- (iii) Advances
- (iv) Collection of Revenue
- (v) Budget