

**Madulla Pradeshiya Sabha**

**Monaragala District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 10 September 2012 and the financial statements for the preceding year had been presented on 01 August 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 November 2012.

**1:2 Opinion**

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Madulla Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

**1.3 Comments on Financial Statements**

**1.3.1 Unreconciled Accounts**

The total of the balances of control accounts relating to 12 items of accounts amounted to Rs. 31,205,229 whilst it was Rs. 16,694,875 as per subsidiary registers / records.

**1.3.2 Lack of Evidence for Audit**

Transactions totaling Rs. 63,236,059 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

**2. Financial and Operating Review**

**2.1 Budgetary Control**

Variances ranging 27% to 347% were observed between the estimated expenditure as per the budget prepared for the year under review and the actual expenditure, thus indicating that the budget had not been made use of as an effective tool of expenditure control.

## 2.2 Financial Results

According to the financial statements presented the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2011 amounted to Rs. 2,087,097 as compared with the excess of recurrent expenditure over revenue amounting to Rs. 459,063 for the preceding year.

## 2.3 Revenue Administration

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

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Lease Rent	2,369	2,805	(436)
(ii) Licence Fees	220	109	111
(iii) Other Revenue	1,247	1,266	(19)

### 2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	671,770
(ii) Stamp Fees	491,340

### 2.3.3 Stall Rent

Arrears of stall rent as at 31 December 2011 amounted to Rs. 169,179.

## **2.4 Irregular Transactions**

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A motor and the related accessories valued at Rs. 95,000 had been purchased for a water supply scheme during the year under review and specifications had not been indicated in the letter of calling for quotations and a decision of a Technical Evaluation Committee also had not been obtained in terms of 2.8.4 of the Government Procurement Guidelines in this connection.

## **2.5 Operating Inefficiencies**

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The following matters were observed

- (a) The Technical Officer had reported that 60 cement bags, 5 cubes of 6”x9” metal, 13 cubes of 1” concrete metal, 10 corrugated steel bars of 10m.m and 4 kgs. of binding wires purchased for the development of Madulla weekly fair had taken by a member of the Sabha for a private purpose. The Chairman informed me on 29 November 2011 that action will be taken to recover the value of those materials.
- (b) Purchases valued at Rs. 541,035 had not been recorded in a stock register.
- (c) The total of the employee loans and advances recoverable as at 31 December 2011 amounted to Rs. 186,119 and the total of the balances outstanding for over one year amounted to Rs. 59,306

## **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) Internal Control