

**Medagama 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 24 July 2012 and the financial statements for the preceding year had been presented on 03 June 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 November 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 Medagama 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 forwarded to the Chairman, 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 Medagama Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year than ended

**1.3 Comments on Financial Statements**

**1.3.1 Lack of Evidence for Audit**

Transactions totaling Rs. 20,503,506 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

**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 amounted to Rs.

3,948,773 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 3,273,526 for the preceding year.

## 2.2 Budgetary Control

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A reconciliation of the amounts shown in the financial statements for the year under review and the amounts in the budget revealed variances ranging 40% to 291% relating to the revenue items of rent, rates and taxes, licence fees, service charges, warrant charges and fines and variances ranging 29% to 45% relating to the expenditure items of travelling expenses and repairs and maintenance of capital assets.

## 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 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)	Rates and Taxes	267	193	626
(ii)	Lease Rent	4,154	4,245	1,320
(iii)	Licence Fees	674	674	-
(iv)	Other Revenue	13,732	13,686	796

### 2.3.2 Court Fines and Stamp Fees

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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	1,912,795
(ii) Stamp Fees	598,945

## **2.4 Idle Physical Resources**

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Sample audit checks revealed that a Cab valued at Rs. 650,000 and a Duplicating Machine valued at Rs. 10,000 had been lying idle.

## **2.5 Operating Inefficiencies**

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The following matters were observed

- (a) The total of the employees loan balances recoverable as at 31 December 2011 amounted to Rs. 1,000,348 and the total of the balances outstanding for over one year amounted to Rs. 928,348.
- (b) The accounts payable for over one year as at 31 December 2011 amounted to Rs. 274,703.
- (c) Arrears of revenue amounting to Rs. 5,262,818 due as at end of the year under review had not been recovered.
- (d) Lands and buildings owned by the Sabha had not been get verified by a Board of Survey.

## **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) Internal Control
- (b) Revenue Administration