

**Medawachchiya Pradeshieya Sabha**  
**Anuradhapura District**

**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 01 April 2013 and the financial statements for the preceding year had been presented on 14 May 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 08 November 2013.

**1.2 Opinion**

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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 Medawachchiya Pradeshieya Sabha had maintained proper accounting records for the year ended 31 December 2012 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 Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Medawachchiya Pradeshieya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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- (a) Fixed assets totaling Rs. 293,760 had not been shown in the financial statements.
- (b) Works-in-progress amounting to Rs. 664,735 of buildings are being constructed under “Pilisar” Project had not been shown in the financial statements.
- (c) Balance stocks amounting to Rs. 201,132 had not been shown in the financial statements.
- (d) Direct remittances to the bank amounting to Rs. 131,000 and stamp fees receivable amounting to Rs. 915,715 respectively had not been shown in the financial statements as revenue for the year and as the revenue receivable.

- (e) Expenditure totaling Rs. 13,789 paid during the year 2013 in respect of the year under review had not been shown in the financial statements as accrued expenses.
- (f) The balance of the loans account as at 31 December 2012 had been overstated by Rs. 1,099,611 because, the loan installments paid during the year under review and the preceding years in respect of the loans obtained from the Local Loans and Development Fund had been erroneously accounted. Further, revenue for the year had been overstated by Rs. 497,505 in the accounts due to applying cash basis instead of the accrual basis in accounting revenue.

### **1.3.2 Lack of Evidence for Audit**

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The value of 17 items of accounts totaling Rs. 43,399,146 could not be satisfactorily vouched / verified in audit due to the non-submission of evidence for audit.

### **1.3.3 Unreconciled Accounts**

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According to the financial statements the total of the balances of 06 items of accounts amounted to Rs. 24,550,743 where as the total of those balance according to the subsidiary registers / records amounted to Rs. 34,367,160.

## **2. Financial and Operating Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs. 3,646,612 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 3,221,686 for the preceding year.

## **2.2 Revenue Administration**

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### **2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**

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Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman of the Sabha is shown below.

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	890	877	1,353
(ii.) Lease Rent	3,622	2,780	2,433
(iii.) Licence Fees	1,198	1,231	506
(iv.) Other Revenue	1,695	2,722	6,053

### **2.2.2 Lease Rent**

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- (a) Action had not been taken in terms of Section 159 ( i ) of the Pradeshieya Sabha Act No. 15 of 1987 to recover stall rent in arrears amounting to Rs. 831,944.
- (b) Stall rent had not been assessed once in 05 years in terms of Circular No. NCP/LG4/7/19 dated 04 August 1994 of the Commissioner of Local Government and the stall rent had been recovered based on the assessment made prior to 20 years.
- (c) The Sabha had deprived of an income of Rs. 449,900 due to lease the trade rights less than the minimum bond, contrary to the provisions of Paragraph VII of the Circular No. LG/3 dated 30 September 1989 of the Commissioner of Local Government.

### **2.2.3 Court Fines and Stamp Fees**

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Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	2,049,879
(ii) Stamp Fees	915,715

### **2.3 Idle and Underutilized Physical Resources**

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Rice flour related bakery products package received during 2008 from the Chief Ministry of the North Central Province and the relevant buildings totaling Rs. 1,702,408 had been idling.

### **2.4 Operating Inefficiencies**

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The following observations are made.

- (a) Action had not been taken to recruit for 08 vacancies of the Sabha and to get approval for posts for excess employees.
- (b) A corporate plan including the plans relating to the activities of the future years and an action plan to achieve the expected activities to be implemented had not been prepared and implemented.
- (c) The balance of Rs. 150,353 in a current account had not been used since May 2012.

### **2.5 Contract Administration**

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- (a) Payments amounting to Rs. 6,100,176 had been made for 10 works without obtaining quality control certificates from the Provincial Engineer.
- (b) The works of 07 Activities costing Rs. 3,255,543 planned to be completed during the year under review had not been completed even as at 31 December 2012.

**2.6 Transactions not Supported by Adequate Authority**

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The approval of the Minister-in-charge of the subject had not been obtained for the expenses totaling Rs. 138,425 incurred for ceremonies in terms of Section 132 ( J ) of the Pradeshiya Sabha Act No. 15 of 1987.

**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) Assets Management