

**Mahara Pradeshiya Sabha**  
**Gampaha District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 28 March 2012 and the financial statements for the preceding year had been presented on 04 April 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 05 February 2013.

**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 Mahara Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

- a. The value of 09 plots of land to the extent of 04 Acres, 01 Roods, 8.26 Perches vested with the Sabha during the year 2003 had not been assessed and brought to account.
- b. The closing stock of Rs.3,734,298 as at end of the year under review had been obtained based on the computation of the balances of stock books , without being carried out a stock verification.
- c. Provision had not been made in the accounts for accrued expenses amounting to Rs.1,478,946 for the year under review.

**1.3.2 Lack of Evidence for Audit**

Transactions totaling Rs.91,546,354 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

### 1.3.3 Suspense Account

Action had not been taken to clear the debit balance of Rs.45,570 in the suspense account brought forward since 2007.

### 1.3.4 Accounts Receivable

- a. Action had not been taken to recover the total amount of Rs.3,036,278 relating to 10 debtor balances.(receivable)
- b. Employees loan balances due from 26 officers/employees that had been brought forward for over one year as at 31 December 2011 amounted to Rs.173,469.

## 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.34,625,413 as compared with the excess of revenue over recurrent expenditure amounting to Rs.32,429,299 for the preceding year.

### 2.2 Revenue Administration

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

According to the financial statements presented for the year under review, the information on estimated revenue, actual revenue and the arrears of revenue is shown below.

<u>Item of Revenue</u>	<u>Estimated</u>	<u>Actual</u>	<u>Cumulative Arrears as at 31 December</u>
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	Rs.000'	Rs.000'	Rs.000'
i. Rates and Taxes	8,225	6,929	9,618
ii. Lease Rent	1,501	1,210	416
iii. Licence Fees	4,394	765	153
iv. Other Revenue	2,231	3,264	1,659

**2.2.2 Rates and Taxes**

Rates and taxes in arrears amounted to Rs.9,618,256 and the balances over Rs.10,000 in the authoritative areas of the Mahara and Naranwala Sub-offices amounted to Rs.1,101,310 and Rs.355,962 respectively. Certain balances had been outstanding for 01 to 15 years. However, the Sabha had not taken action to recover these dues through legal procedure in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987.

**3. Systems and Controls**

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

- a. Accounting
- b. Revenue Administration
- c. Internal Audit
- d. Assets Management