

Medadumbara Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 May 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 18 September 2013.

1.2 Opinion

In view of the comments and observations appearing in my report I do not express an opinion on the financial statements of the Medadumbara Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Trade licence income had been brought to account on cash basis without following the accrual basis while preparing the financial statements.

1.3.2 Accounting Deficiencies

The following observations are made.

- (a.) Income amounting to Rs.129,000 collected by hiring the Concrete Mixing Machine during the year under review had been directly credited to the accumulated fund account without being treated as an income for the year
- (b.) The stall rent received in advance during the preceding years had been accounted by debiting the accumulated fund through Journal Entry No.36 and crediting the stall rent account by Rs.1,520,144. Therefore, the accumulated fund had been understated by a similar amount, because the rent recovered during the preceding years had not been credited to the accumulated fund at that time.

- (c.) The balance of capital aid in arrears amounting to Rs.24,839,957 shown in the financial statements included balances amounting to Rs.7,077,164 not fall under the category of capital aid.

1.3.3 Unreconciled Accounts

The balance as per 04 items of accounts amounted to Rs.25,916,853 and the balance as per schedule amounted to Rs.26,147,041 showing a difference of Rs.230,188.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.59,413,849 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 2012 amounted to Rs.6,705,542 as compared with the excess of revenue over recurrent expenditure amounting to Rs.4,823,186 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	5 V ¶	5 V ¶	5 V ¶
(i.) Rates and Taxes	1,165	1,228	1,923
(ii.) Lease Rent	4,355	3,874	1,818
(iii.) Licence Fees	3,200	1,039	-
(iv.) Other Revenue	8,867	11,363	11,363

- (iii.) The land on which the water tanks constructed had not been acquired by the Sabha.

2.5 Operating Inefficiencies

The following observations are made.

- (a.) Action in terms of Financial Regulations 571 of the Republic of Sri Lanka had not been taken in respect of lapsed deposits amounting to Rs.328,750 with regard to 460 instances.
- (b.) Gratuity amounting to Rs.704,263 received from the Department of Pensions for payment of gratuity to 02 officers retired in the year 2009 had been kept under deposits even as at 31 December 2012; without being paid to the relevant retired officers.
- (c.) Value Added Tax amounting to Rs.156,166 collected during 2008 and 2009 had been retained under creditors without being remitted to the Commissioner General of Inland Revenue.
- (d.) Revenue in arrears under 03 items of revenue amounted to Rs.4,608,734 and action had not been taken to recover the revenue in terms of the agreements and Section 166 of the Pradeshiya Sabha Act.
- (e.) Compost Barrels valued at Rs.240,000 purchased during 2012 had been stored in the Sabha premises, without being distributed even by end of June 2013.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Contract Administration