

**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 12 April 2013 and the financial statements for the preceding year had been presented on 24 July 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 23 September 2013.

**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 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 Medagama Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

The following observations are made.

- (a.) Action had not been taken to ascertain and brought to account the value of 1,023 unpriced books included in the Register of the Library for over a long period.
- (b.) Income receivable from works amounting to Rs.6,051,635 in respect of 07 projects under Maga Neguma Development Programme during the year under review had not been brought to account.

### 1.3.2 Lack of Evidence for Audit

Assets totaling Rs.21,664,561 and liabilities totaling Rs.1,028,900 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.3,497,810 as compared with the excess of revenue over recurrent expenditure amounting to Rs.3,948,773 for the preceding year.

### 2.2 Budgetary Control

There were variances of 20 percent to 140 percent between the actual income and expenditure under certain revenue and expenditure Heads when compared with the budget for the year under review. Therefore, the budget had not been made use of as an effective tool of control.

### 2.3 Revenue Administration

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

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

<u>Source 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	215	240	589
(ii.) Lease Rent	4,407	4,980	23
(iii.) Licence Fees	705	705	-
(iv.) Other Revenue	159	223	26

### 2.3.2 Lease Rent

Lease rent had not been properly recovered from 18 lessees who had taken on lease the Meat stalls and the Weekly Fair owned by the Sabha during the period 1993- 1999 resulting in non-recovery of rent in arrears amounting to Rs.538,108 and charges for delay amounting to Rs.109,764 due to the Sabha.

### 2.3.3 Court Fines and Stamp Fees

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	1,272,746
(ii.) Stamp Fees	77,766

### 2.4 Surcharges

A sum of Rs.43,923 was recoverable as at 31 December 2012 in respect of surcharges levied by me during the preceding years against the persons responsible in terms of Section 172(3) of the provisions in the Pradeshiya Sabha Act No.15 of 1987.

### 2.5 Idle Physical Resources

Sample audit checks revealed that a vehicle, 1,369 items of water pipe equipment and

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### 2.6 Transactions Not Supported by Adequate Authority

Appointments had been given to 12 minor employees contravening Management Services Circular no.28, 28(i), 28(ii) and 36 respectively dated 10 April 2006, 26 May 2006, 01 August 2006 and 01 August 2007 and without the written prior approval of the Commissioner of Local Government in terms of Section 19(1)(i) of the Pradeshiya Sabha Act No.15 of 1987.

