

Medawachchiya Pradeshiya Sabha

Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 06 April 2015 while Financial Statements relating to the preceding year had been submitted on 10 April 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 11 August 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Medawachchiya Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) Loan balance payable as at 31 December 2014 in respect of loans obtained for rural roads development from the Local Loans and Development Fund had been incorrectly adjusted in accounting. Due to that, Non-current Liabilities had been overstated in a sum of Rs. 7,610,281.

- (b) Although the value of Motor Vehicles and Carts had been increased in a sum of Rs. 2,584,263 as at 31 December 2014, information relating to that was not submitted.
- (c) Value of 160 Galvanized Pipes amounting to Rs. 177,143 provided to the Sabha by the Divi Neguma Development Department during the year under review had not been shown in the financial statements.
- (d) While a value of Rs. 10,841,953 had been deleted from 4 items in the financial statements for the year under review, any entry had not been made in the books with regard to that.

1.3.2 Lack of Evidence for Audit

Documents confirming ownership and existence/ detailed schedules connected with 14 items of assets and liabilities totalling Rs.78,641,819 had not been submitted to audit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, operational surplus of the Sabah for the year ended 31 December 2014 had been Rs. 7,205,412 as compared with the corresponding operational surplus amounted to Rs. 2,287,865 in the preceding year.

2.2 Revenue Administration

2.2.1 Stalls Rent

- (a) Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987 to recover arrears of rent amounting to Rs. 475,624 due from 30 stalls.

- (b) Although the rent of stalls should be decided on the basis of the assessment of the Chief Valuer, according to the Circular No. NCP/LG/4/7/19 dated 04 August 1994 of the Commissioner of Local Government; rents of stalls in the Public Markets were being recovered on the basis of the rates decided by the Sabha 21 years ago.

3. Operational Review

3.1 Operational Inefficiencies

- (a) While 160 Galvanized Pipes valued at Rs. 177,143 provided by the Divi Negume Development Department to the Sabah during the year under review had been misplaced, a formal inquiry had not been initiated with regard to that.

- (b) Action had not been taken even during the year under review, to settle balances of 05 accounts totalling Rs. 3,097,564 which were being brought forward over period of more than 05 years and shown in the financial statements.

- (c) While the total of loan balances of 16 employees claimed to be impossible to get the information and outstanding for a long period of time had been Rs. 225,002, steps had not been taken at least to recover those balances from the guarantors.

- (d) While the total value of the Tender Deposits not refunded relating to the period from the year 2001 to the year 2012 had been Rs. 224,418, those deposits had not been taken to revenue.

4. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management