

Gomarankadawala Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 11 February 2014 and the financial statements for the preceding year had been presented on 07 January 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 June 2014.

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 Gomarankadawala 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 Gomarankadawala Pradeshiya Sabha as at 31 December 2012 and the financial results of its operation for the year then ended.

1:3 Comments on Financial Statements

1:3:1 Accounting Policies

The following observations are made.

- (a) The accounting policies adopted in preparation of financial statements had not been disclosed with the financial statements.

- (b) Provision for depreciation had not been made for fixed assets aggregating Rs.7,487,441 used in operating activities and earning of revenue. As a result, the expenditure shown in the financial statements had not depicted the actual expenditure.

1:3:2 Accounting Deficiencies

The following deficiencies were observed.

- (a) The accounts of the NELSIP had not been consolidated with the accounts of the Sabha. As a result, the balance of the Project cash book amounting to Rs.5,828,289, the cost of building amounting to Rs.4,367,649, the refundable retention money of Rs.1,722,576 and the advances receivable amounting to Rs.1,605,000 had been omitted in the accounts.
- (b) The balance at bank at end of the year under review was Rs.647,979 as per cash book. But, this had been accounted for, as Rs.696,244 thus overstating the balance at bank by Rs.48,265.
- (c) The balance of cash in hand amounting to Rs.43,367 had not been accounted for.
- (d) The interest on fixed deposits received upto 31 March 2012 was Rs.1,291,721. This had been erroneously accounted through the journal entry during the year under review. As a result, the revenue debtors and the accumulated fund had been overstated in the financial statements by similar amounts.
- (e) Interest on fixed deposits amounting to Rs.98,200 for the year under review had not been accounted for.
- (f) The recurrent expenditure of the year under review as Rs.4,636,088 as per monthly summary of consolidated expenditure. This had been accounted for, as Rs.5,031,974 resulting in an overstatement of recurrent expenditure by Rs.395,886.

- (g) The recurrent revenue of the year under review was Rs.7,492,076 as per monthly summary of consolidated receipts. This had been accounted for, as Rs.5,165,953 resulting in an understatement of recurrent revenue by Rs.2,326,123.

1:3:3 Lack of Evidence for Audit

Transactions amounting to Rs.3,437,861 could not be satisfactorily vouched in audit due to non-rendition of necessary information for audit.

1:3:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with laws, rules and regulations observed in audit appear below.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Rule 59 of 1988 Pradeshiya Sabha (Finance and Administration) Rules published in the Gazette Extra Ordinary No. 554/5 of 17 April 1989.	A survey of business establishments within the area of the Sabha had not been conducted.
(b) Circular No. 41/90 of 10 October 1990 of the Secretary to th Ministry of Public Administration, Provincial Councils and Home Affairs.	Consumption of fuel by 04 vehicles of the Sabha had not been tested every 6 months.

2 Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha as at 31 December 2012 was Rs. 132,940 as against the recurrent expenditure exceeding the revenue of the preceding year amounting to Rs. 79,374.

2:2 Financial Control

The variances between the actual and budgeted expenditure of the year under review ranged from 2 to 76 percent. Accordingly, the annual budget had not been utilized as an efficient instrument of management control.

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review, as presented by the Chairman, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	--	5	1,062
Lease Rent	1,323	525	1,062
Licence Fees	72	52	26
Other Revenue	5,585	4,584	755

2:3:2 Bye-laws Relating to the Revenue

The Sabha had adopted resolutions concerning bye-laws relating to revenue from bakeries, saloons and fashioning and furnished it to the office of the Local Government. But, those bye-laws had not been legalized so far. As a result, the Sabha had been deprived of earning revenue from the sources concerned.

2.3.3 Stall Rent

Action had not been taken up to 31 March 2014 to recover the stall rent of Rs.25,250 receivable for the year 2012.

2:3:4 Court Fines

Action had not been taken identify and recover the court fines receivable as at 31 December 2012 from the Chief Secretary of the Eastern Provincial Council.

2:4 Contract Administration

(a) The Project for concreting the Galkadawala Welamedda Road

An agreement had been entered into with the contractor on 4 April 2012 at a cost of Rs.8,025,000 for concreting the Galjawala Welamedda Road 1000 metres long, 3 metre wide and 6 inches thickness. The following observations are made.

- (i) Feasibility study had not been made for concreting the road. As a result, correct estimates could not be prepared regarding the way in which the road should be fully developed.
- (ii) Without taking action to develop 5 old culverts, 135 square metre long road of the area concerned had been concreted. As a result of concreting without constructing the 5 old culverts, there was blockage in the down stream of water. As a result, it was observed at the physical verification carried out on 19 March 2014 that prolonged existence of the road could be severely affected.

(b) Implementation of the Project for Drinking, Water

During the year under review, the Galkadawala Public Well for drinking water had been constructed at an expenditure of Rs.226,464 under the Project for Construction of Public Wells for drinking water.

The following observations were made in this connection.

- (i) As a result of not preparing the drawings for constructing the public wells for drinking purposes, the manner in which the well should be conducted showing the depth, circumference and thickness of the side walls could not be identified in audit.
- (ii) This well had been constructed in a private premises without obtaining the consent for using it as a public well. Meanwhile, it had not been separated so as to use it as a public well.

2:5 Environmental Problems

The following observations are made in this connection.

- (i) Suitable drinking water facilities were not available for the public belonging to 10 Grama Niladhari divisions of the Gomarankadawala Divisional Secretary's Area and they had been subject to sever difficulties and it was revealed from the reports of Grama Niladharis that liver infections were on the increase. The Sabha had not taken action to prepare short term and long term plans to supply water for drinking purposes so as to cover 10 Grama Niladhari Divisions.
- (ii) The Sabha had not taken action to collect data relating to the patients who had already been subjected to liver infections, to bring awareness among the public regarding this disease and to inform this situation to the relating institutions.

2:6 Human Resources Management

Approved and Actual Cadre

The information relating to the approved and actual cadre of the Sabha as at 31 December 2012 appear below.

Category of Staff	Approved Cadre	Actual Cadre	No. of Vacancies
Executive Level	01	--	01
Secondary Level	15	05	10
Tertiary Level	16	06	10
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Total	32	11	21
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The following observations were made.

- (a) The Sabha had not taken action for 15 years to appoint a Secretary and the work had been attended to by an acting officer.
- (b) Included in the vacancies were 2 posts of librarians and 5 posts of Development Assistants and these were vacant for over 3 years and action had not been taken to recruit officers.

3. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of control.

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contract Administration
- (f) Human Resources Management