

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 to audit on 07 January 2013 and the financial statements for the preceding year had been presented on 17 January 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 17 April 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 Gomarankadawala Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 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 the 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 2011 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 Policies

- (i) Replacement Reserve had not been created for fixed assets.
- (ii) The basis of accounting income and expenditure on accrual basis had not been disclosed.

1:3:2 Accounting Deficiencies

- (a) A general ledger had not been maintained.
- (b) The balance of the money obtained from the North East Local Services Improvement Project (NELSIP) as at 31 December 2011 amounting to Rs.27,080,711 had not been shown in the financial statements.
- (c) The balance of Employees' Loans shown in the balance sheet was Rs.1,092,242 and it was Rs.1,027,015 as per register of loans. Accordingly, the amount overstated in the financial statements was Rs.65,227.
- (d) While entering the expenditure, a difference aggregating Rs.2,972,848 was observed in the balances of 21 accounts.
- (e) Balances of refundable deposits shown in the final accounts was Rs.8,315. However, the register of refundable deposits had not been furnished to audit.
- (f) Balances of advances amounting to Rs.599,165 had not been shown in the financial statements.
- (g) Explanatory information had not been furnished to audit to able to verify the sum of Rs.130,621 shown as prepayments in the balance sheets from 2008 to 2011.
- (h) A difference of Rs.97,550 was observed in the balance of refundable deposits.
- (i) Although the value of stock as at 31 December 2011 had been shown as Rs.18,150 in the accounts, a register of stocks had not been maintained.

1:3:3 Lack of Evidence for Audit

- (a) Transactions totalling Rs.27,518,515 could not be satisfactorily vouched in audit due to non-rendition of necessary information to audit.

- (b) A sum of Rs.53,420 had been paid to the Kalyanapura Village Development Society to construct the Kalyanapura Culvert vide voucher No. 02 in 2008 under the World Food Programme. However, the file relating to this work had not been furnished to audit so far.
- (c) A sum of Rs.958,443 had been paid to a firm of constructions on 30 December 2011 to construct the Gomarankadawala week end fair under the North East Local Services Improvement Project (NELSIP). But, details of the payment concerned had not been furnished to audit.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements, presented, the recurrent expenditure exceeding the revenue of the Sabha for the year ended 31 December 2011 was Rs.79,374 as against the revenue exceeding the recurrent expenditure of the preceding year amounting to Rs.1,249,818.

2:2 Financial Control

The variances relating to 34 items of accounts ranged from minus Rs.672,571 to plus Rs.20,000,000.00. Accordingly, instances were observed where the annual budget had not been utilized as an effective instrument of management control.

2:3 Revenue Administration

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

The information relating to the estimated revenue, actual revenue and arrears of revenue furnished for the year under review is shown below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs'000	Rs'000	Rs'000
i. Lease Rent	350	253	97
ii. Licence Fees	31	28.4	2.6
iii. Other Revenue	4,989	1,440	3,549

3. Systems and Controls

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

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

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