

Gomarankadawala Pradeshiya Sabha

Trincomalee District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Auditor General on 12 November 2014 while Financial Statements relating to the preceding year had been submitted on 11 February 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 23 February 2015.

1.2 Opinion

In my opinion except for the effects on the Financial Statements of the matters referred to in paragraph 1.3 of this 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 2013 and the financial result of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following accounting deficiencies are observed.

- (a.) The balance of Market Stalls Rent Receivable amounting to Rs. 63,280 as at 31 December 2013 as per Market Stalls Rent Register had been accounted as Rs. 76,100. Due to this, market stalls rent had been overstated in a sum of Rs. 12,820 in the accounts.

- (b.) Cash Book balance of Rs. 1,603,256 as at 31 December 2013, relating to ‘Pura Neguma Project’ had been omitted in Financial Statements.
- (c.) Fixed Deposits Interest amounting to 411,520 for the year under review had not been accounted.

1.3.2 Accounts Receivable

Action had not been taken either to recover or write-off Market Stalls Rent totalling Rs. 63,280 due in respect of a period ranging from 2 years to 3 years.

1.3.3 Lack of Evidence for Audit

Following items of accounts could not be satisfactorily vouched or examined in audit, due to lack of evidence indicated against those items.

Item of Account	Value	Evidence not furnished
-----	-----	-----
	Rs.	
Fixed Assets	7,487,441	Fixed Assets Register
Accounts Payable	76,100	Confirmation of balances, age analysis and detailed schedules.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Rule 59 of the Pradeshiya Sabha Rules (Financial and Administration) of 1988 published in the Extra Ordinary Gazette Notification No. 554/5 dated 17 April 1989	- Survey of Business Entities in the area of authority of the Sabah had not been carried out even up to 01 January 2015
(b.) Circular No. 41/90 dated 10 October 1990 of the Secretary to the Ministry of Local Government, Provincial Councils and Home Affairs	- Although it is required to test the fuel consumption of vehicles once in every 06 months, such action had not been taken with regard to 04 vehicles belong to the Sabha.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.224,055, while the corresponding excess of revenue over the recurrent expenditure for the preceding year had been Rs. 132,940. The improvement of the financial results in a sum of Rs.91,115 was mainly due to the increase of Rs. 194,112 in Other Revenue for the year under review over the preceding year.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
	-----	-----	-----	-----
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	-	48	-
(ii)	Lease Rent	827	527	300
(iii)	Licence Fees	50	57	-
(iv)	Other Revenue	1,201	1,232	-

3. Operational Review

3.1 Management Inefficiencies

Implementation of Recommendations of the Board of Survey Report

According to report of the Board of Survey conducted on 28 January 2014, it had been recommended to repair 03 categories of goods, and to remove 11 categories of goods, while 37 categories were to be destroyed. However, necessary action had not been taken for that up to 01 January 2015, date of audit.

3.2 Contract Administration

Three agreements valued at Rs. 50,170,730 had been signed by the Sabah to implement a drinking water project in three stages under the “Pura Neguma Project” as a solution to the severe shortage of drinking water prevailing in the area of authority of Gomarankadawala Pradeshiya Sabah. Following observations were made in this regard.

- (a.) In terms of the agreement the works relating to water pipes laying for 300 families under the first stage were required to be finalized before 07 December 2013. However, that work had not been finalized even up to 01 January 2015, the date of audit.

- (b.) Although 108 kidney patients had been reported in the area of authority of Maradankadawala alone due to lack of healthy secured drinking water by this time, it had not been possible to provide drinking water for any home from this Project up to now, for which Rs. 34 million had been spent.

- (c.) Action in terms Part III of the Finance Act No. 03 of 2005 (subject to Finance Acts Amendments No. 13 of 2007 and No. 18 of 2009) had not been taken to retain and remit the Construction Industry Guarantee Fund Levy (CIGFL) amounting to Rs. 63,712 relating to the sum of Rs. 25,484,622 paid to the contractor for the first and second stages of the Project.

3.3 Budgetary Control

Actual and budgeted expenditure for the year under review indicated a variation between 02 per cent and 70 per cent. Accordingly, it was observed that the Budget had not been utilized as a tool for proper financial management.

4. Human Resource Management

Approved and Actual Cadre

Information relating to the approved and actual Cadre of the Sabah as at 31 December 2013 is shown below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
Executive Level	01	-	01
Secondary Level	15	06	09
Tertiary Level	15	06	09
Total	31	12	19

Following observations are made.

- (a.) Action had not taken to appoint a suitable person to the post of Secretary to the Pradeshiya Sabha that had been vacant since June 2014.
- (b.) Action had not been taken to fill the vacancies in the posts of Development Officer, Driver, Machine Operator and Work Supervisor.

4. Systems and Controls

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

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