

Katana Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 13 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 July 2020 and 23 September 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Katana Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Rs.2,014,000 had been over stated in the debtors account when accounting the purchase of a compactor and 02 tractors under the basis of paying them by the Court Fines and Stamp Fees Income.	It should be accounted accurately.	Inform that it would be settled by the Final Accounts for the year 2020.
(b) Creditors on Stores valued Rs.8,278,500 had been incurred in the creditors on Expenditure therefore The balance of the Creditors account had been overstated by that value.	It should be accounted accurately.	Inform that it would be settled by the Final Accounts for the year 2020.
(c) The interest received for December 2018 on the Fixed Deposits of Rs.115,068 had been stated as an income for the year under review.	It should account only the amount relevant for the year.	Inform that the excess for the year had been adjusted for the Accumulated Fund and the value had been credited to the Accumulated Fund by that amount therefore it could not be corrected again.

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| (d) A Compactor and a Trailer of Rs.4,517,937 had been capitalized that had taken under Credit basis to pay back by installments and not finished the payments by 31 st December 2019. | The installments paid should be accounted. | Inform that it would be settled by the Final Accounts for the year 2020. |
| (e) The Compactor received as a donation of Rs.6,221,373 had been accounted as the Creditors for the year under review and the Accumulated Fund account had been debited when it had been removed from the Stores. | It should be accounted accurately. | Inform that it would be settled by the Final Accounts for the year 2020. |
| (f) The Accumulated Fund account had been credited to correct the Stores Material of Rs.30,327 that issued by the stores for the year under review and accounted twice. | The amounts should not be accounted identically. | Inform that it would be settled by the Final Accounts for the year 2020. |
| (g) A Value of Rs.23,697,498 paid off for the year under review on the Loan obtained from Local Loans and Development Fund to build an Office Building had not been capitalized. | The values paid off should be capitalized. | Inform that it would be settled by the Final Accounts for the year 2020. |
| (h) The Cost of the Tractor which assigned on the Sabha in year 2004 had not been assessed and capitalized. | The Assets should be capitalized. | Inform that it would be settled by the Final Accounts for the year 2020. |
| (i) The Stock ledger balance of Rs.12,501,427 had been accounted without adjusting the physical value of the stock to the accounts. | The Physical Stock balance should be accounted with the necessary adjustments. | Inform that it would be settled by the Final Accounts for the year 2020. |
| (j) Even though it had been acknowledged by the Letter of the Commissioner of Local Government on 21 September 2019 not to declare the Salaries receivable for the preceding years and allowances for the members in the accounts it had been declared Rs.58,904,638 and Rs.1,897,525 respectively as the Salaries receivable and allowances for the members. | Actions should be taken according to the letter of the Commissioner of Local Government. | Inform that these accounts would be settled again after obtaining the necessary advices. |
| (k) Even though it had been acknowledged by the Letter of the Commissioner of Local Government on 21 September 2019 not to declare the Property Loan interest | The Financial Reports should be prepared accurately. | Inform that these accounts would be settled again after obtaining the necessary advices. |

receivables for the year under review and for the preceding year as receivables in the accounts it had been declared Rs.496,248 as for the year under review and Rs.240,319 for the preceding year.

- (1) The value of the crematorium received as a donation of Rs.43,320,500 in Udammita and a generator that value not assessed had not been capitalized. The assets received as donations should be capitalized. Inform that it would be settled by the Final Accounts for the year 2020.

1.3.2 Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
A difference had been appeared of Rs.97,775,073 between 06 Balances in 06 items of accounts and its Subsidiary Registers as at 31 December 2019.	Actions should be taken to compare those differences and correct.	Actions would be taken to correct them in the future.

1.3.3 Receivable Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
Actions had not been taken to recover the prepayments of Rs.139,615 made before 15 years on 8 works.	Actions should be taken to recover.	Actions would be taken to recover.

1.3.4 Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
A balance of an account value of Rs.40,375,618 could not be satisfactorily vouched during the audit due to non rendition of necessary documents.	Evidence to confirm the balances of accounts in the financial statements should be furnished.	The accounts are being corrected now.

1.4 Non Compliances

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
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(a) <u>Pradeshiya Sabha Act No.15 of 1987</u> <u>Section 154(1)</u>	Even though it should be charged 01 percent on the sales value of the sale of lands, charges made in the first 06 months in the years 2018 and 2019 had not been charged on the actual sales value.	The Consideration of the Management should be given on making actions under the regulations of the Act.	Actions would be taken to make it correct in the future.
(b) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u> F.R. 371(2)	Actions had not been taken to settle the prepayments valued of Rs.1,028,360 received during the year under review as at 31 December 2019.	The Consideration of the Management should be given on making actions under the Financial Regulations.	Actions would be taken to settle the value of prepayments in the future.
(e) Circular No.2018 e-local Government – 01 issued by the Commissioner of Local Government Western Province on 19 July 2018.	The facility to make payments through the internet had not been given to the public.	The Consideration of the Management should be given on making actions under the Circular by the Commissioner of Local Government.	The Final Actions are being taken on that matter therefore the progress would be reported after finishing that process.

2. Financial Review

2.1 Financial Results

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.170,504,415 compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.70,277,529.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2019				2018			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	36,425	44,107	44,991	27,343	36,100	46,838	46,990	28,392
(ii) Rent	734	1,772	1,773	20	1,155	923	932	29
(iii) Licence Fees	2,862	1,186	1,186	-	1,530	1,266	1,948	-
(iv) Other Revenue	125,278	125,278	125,278	-	155,220	155,220	98,088	-
Total	165,299	-172,343	173,228	-27,363	-194,005	204,247	147,958	28,421

2.2.2 Rates and Taxes

Audit Observations

An amount of Rs.11,371,221 had been recovered and Rs.17,165,566 further during the year under review from the arrears in rates as at 01 January 2019 of Rs.28,536,787.

Recommendations

The rates in arrears should be recovered.

Comments of the Accounting Officer

Inform that actions would be taken to increase the progress of recovering rates.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations

- (a) 02 Small houses of Block Stones and Timber had been built and used unauthorized in the Land located in Akkarapanaha, Sampath Place about 17.5 Perches because of not taking actions to protect it even though it had been over 25 years of assigning that land to the Sabha.

Recommendations

Actions should be taken to protect the property owned by the Sabha.

Comments of the Accounting Officer

Inform that the legal actions had been taken to acquire the possession and report to the Commissioner..

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| (b) | Sales tax amounted to Rs.499,792 had been charged 01 percent on a low sales value of Rs.95,000 to Rs.125,000 a perch, on the Sub division approved on 19 July 2019 of the Land Sabidiyawatta located in Miriswatta. | It should be charged on the actual value of Sales. | Inform that the comment accepted. |
| (c) | Rs.327,000 had been paid on 12 th September 2019 for the estimated value of Rs.328,000 for fixing iron bars to the roof of a Bailing Centre during the construction in the Raddoluwa Sub office area. But the Iron had being decayed of rain because of not making estimates for roofing. | Actions should be taken to plan as to complete the whole project. | Inform that actions would be taken to complete the rest of the building. |

3.2 Operational Inefficiencies

Audit Observations

Recommendations

Comments of the Accounting Officer

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| (a) | 4 meat stalls located within Raddolugama Housing Scheme which had been assigned by the National Housing Development Authority had been leased on the request of the lessees without calling for tenders therefore an income had been lost for the Sabha. | The procurement process should be used for leasing | Inform that leasing had not been done by calling tenders for the year 2019 and leasing had been done under the requests. |
| (b) | A land about 40 perches located in Kondagammulla had been leased out on a request of a businessman, out of the Government Procurement Process to carry on a business of Supplying Construction Material and made an agreement to pay a rent of Rs.2,000 per month. The basis used on this had not been revealed and the rent period had been lengthened further by a year from 15 November 2019 to 14 November 2020. | The procurement process should be used for leasing | Inform that an amended rent would be charged from November 2019 after receiving the new Assessment from the Valuation Department. |

3.3 Assets Management

Audit Observations

Recommendations

Comments of the Accounting Officer

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| (a) A tractor received by the Sabha as a donation in the year 2004 had not been utilized because of not obtaining the revenue license. | Actions should be taken to collect the Revenue License. | Inform that the actions had been taken to obtain the Revenue license and would be run after collecting it. |
| (b) Actions had not been taken on 03 inactive Bob Cat Machines value of Rs.525,000. | Actions should be taken to dispose if it could not be fixed. | Inform that you would be acknowledged further after actions had been taken to dispose. |