

**Katana Pradeshiya Sabha**  
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**Gampaha District**  
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**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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The financial statements for the year under review had been presented to audit on 30 March 2012 and the financial statements for the preceding year had been presented on 30 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 April 2013.

**1:2 Opinion**  
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In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Katana Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

**1.3 Comments on Financial Statements**  
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**1.3.1 Accounting Deficiencies**  
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(a) Value of Rs. 338,179 of the closing stock of Ayurvedic drugs as at end of the year under review had not been brought to accounts. The drugs purchased during the year amounting to Rs. 992,000 had been written-off against the revenue, instead of charging the drugs issued amounting to Rs. 1,110,336 during the year to the income and expenditure account.

(b) A sum of Rs. 182,947 paid in advance to the suppliers had been deducted from the sum of Rs. 827,776 payable to the suppliers as at 31 December 2011 and as such, the general supplies creditors balance and the general supplies debtors balance had been understated by a similar amount.

- (c) Employees security deposits obtained from 39 officers / employees and the interest realized totaling Rs. 78,480 had not been brought to accounts.

**1.3.2 Suspense Account**  
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Action had not been taken to settle the balance of the suspense account amounting to Rs. 37,092 brought forward for over several years.

**2. Financial and Operating Review**  
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**2.1 Financial Results**  
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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs. 30,549,660 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 110,451,062 for the preceding year.

**2.2 Financial Control**  
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All the money collected should be deposited in the bank daily and credited to the Pradeshiya Sabha fund. Nevertheless, Rs. 10,000 to Rs. 108,000 of the daily receipts of the Katana Sub-office had not been banked and retained for periods from 03 to 15 days in 21 instances. Further, Rs. 111,561 to Rs. 1,163,171 had been retained in Sub-office collection accounts for periods from 15 to 76 days in 11 instances, without being credited to the Pradehsiya Sabha fund.

**2.3 Revenue Administration**  
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**2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue**  
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Information on estimated revenue, actual revenue and arrears of revenue of the Sabha had not been submitted.

**2.3.2 Rates and Taxes**  
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The generation of revenue had been planned according to the action plan for the year 2011 in order to recover the outstanding rates and taxes of the Sabha as follows. However, the rates in arrears amounting to Rs. 17,626,693 in year 2010 had been increased to Rs. 23,460,922 by 33% in the year 2011.

<b>Revenue generation</b> -----	<b>Estimated</b> -----	<b>Actual</b> -----
Sending warrants on distraining	35	03 (this had been withdrawn by paying money)
Reporting on property distrained	123	-
Publishing in the gazette the notices on distrained property and property to sell	60	-

**2.3.3 Accounts payable**  
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The balances of pre-payments as at 31 December 2011 amounted to Rs. 3,877,614 and this included balances amounting to Rs. 2,705,914 remained for 3 to 15 years. But, action had not been taken to settle / get settle these balances.

**2.4 Operating Inefficiencies**  
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Although 1 ½ years had passed since placing the order to purchase Hume pipes from the State Engineering Corporation of Sri Lanka by paying Rs. 57,450 on 02 June 2010, action had not been taken to obtain the goods.

**2.5 Delayed Projects**  
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Although several years had been taken for the construction works of the projects as detailed below, action had not been taken to complete the constructions and put to use the same.

Name of the Project	Estimate Rs.	Year of commencement	Expenditure up to 31.12.2011 Rs.
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(i) Construction of Kovinna Community Hall	2,000,000	2010	1,023,331
(ii) Construction of Udammita Community Hall (old)	-	2003	421,291
(iii) Construction of Udammita Community Hall (New)	-	2008	4,274,059

## 2.6 Construction of the Malberiwatta Water Scheme

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The project had been implemented in 2010 to construct a systematic water source so as to fulfill the demand for water of 820 families of Kadirana South Grama Niladari Division in the authoritative area of the Katana Pradeshiya Sabha, construct a 40 m<sup>3</sup> water tank and lay pipes covering the area. The matters observed in audit are shown below.

- (a) According to 178(2)(2)(f) of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988 not less than two weeks time should be given for submission of tenders. But, as per the paper advertisement published on 25 October 2010, the closing date for submission of quotations was 04 November and as such the time given for submission of quotations was only 11 days.
- (b) According to the agreement entered into with the contractor on 08 December 2010, the contract period was 03 months and it had been extended by another 02 months. Accordingly the work should be completed on 08 May 2011. But, the project had not been completed even by 23 January 2013, the date of physical examination.

- (c) The period of delay in completion of the project as at 23 January 2013, the date of audit examination was 01 year and 08 months, Nevertheless, action had not been taken in terms of Section 04 of the Agreement to recover demurrage charges at Rs. 600 per week or part of a week delayed.
- (d) There was no evidence to prove that a professionally qualified officer had supervised the project

## **2.7 Performance**

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Although a provision of Rs. 8,000,000 had been approved for 16 projects of laying interlocking concrete blocks on 12 roads of the authoritative area of the Sabha under “Maga Neguma Rural Roads Development Programme 2011; the respective projects had not been implemented.

## **3. Systems and Controls**

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

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