

Katana Pradeshiya Sabha

Gampaha District

1. Financial Statements

1:1 Presentation of Financial Statements to Audit

The financial statements for the year under review had been presented for audit on 30 March 2011 and the financial statements for the preceding year had been presented on 31 March 2010.

1:2 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Katana Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1:3 Comments on Financial Statements

1:3:1 Accounting Policies

According to the Statement of Accounting Policies of the Sabha, the Courts Fines and Stamp Fees (other revenue) had been brought to account under the cash basis. But stamp fees amounting to Rs.80,000,000 receivable for the year under review had been brought to account.

1:3:2 Accounting Deficiencies

-
- (a) Salary reimbursements receivable for the year under review amounting to Rs.2,012,787 had been brought to account as Rs.1,742,787 only.
 - (b) Sums totalling Rs.11,798,120 charged to the Heads of Expenditure representing the estimated cost of cancelled project charged to the Creditors Accounts in the years 2007 and 2008, payments on completion of work made from the Heads of Expenditure and payments made to creditors had not been eliminated from the Stores and Other Creditors Accounts.
 - (c) Payments made on 78 completed projects amounting to Rs.9,868,320 had been included in the Creditors Account.

- (d) A difference of Rs.219,927 was observed between the value of the Lands and Buildings Account and the value according to the Register of Fixed Assets.
- (e) According to the financial statements, the value of motor vehicles and carts amounted to Rs.30,259,403 and according to the correct total of the schedule relating to that, the value of motor vehicles and carts amounted to Rs.29,965,903. As such a difference of Rs.293,500 was revealed.
- (f) Motor Vehicles and carts valued at Rs.1,139,162 had not been recorded in the Register of Fixed Assets.
- (g) The outstanding Entertainment Tax amounting to Rs.2,487 of the Katana Sub-office had not been included in the financial statements as an account for the outstanding Entertainment Tax had not been maintained in the ledger.

1:3:3 Unreconciled Control Accounts

The balances of 07 items of account according to the Control Accounts totalled Rs.105,116,954 whereas according to the subsidiary registers/ records those totalled Rs.106,571,711.

1:3:4 Suspense Accounts

The balance of the Suspense Account amounting to Rs.37,092 brought forward over a number of years had not been settled.

1:3:5 Accounts Payable

The balance of accounts payable older than 01 year as at 31 December 2010 amounted to Rs.14,685,681.

1:3:6 Lack of Evidence for Audit

Non-submission of Information to Audit

Transactions totalling Rs.63,869,152 could not be satisfactorily vouched in audit due to the non-submission of the required information to audit.

1:3:7 Non-compliances with Laws, Rules and Regulations

Non-compliances with the following laws, rules and regulations were observed during the course of audit.

Reference to Laws, Rules and Regulations	Non-compliance
-----	-----
(a) Pradeshiya Sabha (Financial and Administration) Rules - 1988	

(i) Rule 59	According to the Rule referred a survey should be carried out in the area of authority of the Sabha, and a list of industries prepared in terms of Section 150(1) of the Pradeshiya Sabha Act, No. 15 of 1987 should be furnished to the Secretary of the Sabha on or before 31 March of each year. But it had not been done.
(ii) Rule 164	The accounting documents should be examined by the Secretary or an officer authorized by him and place the initials in support of such examination. But action had not been taken accordingly.
(iii) Rule 180	Security had not been obtained from the officers, such as those in charge of cash, storekeepers, those certifying vouchers and signing cheques, etc., who should furnish security
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	

Nos. 133 and 134	The Sabha had not maintained an Internal Audit Unit.

2:4 Human Resources Management

Approved and Actual Cadre

Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

Grades of Employees	Approved	Actual
-----	-----	-----
Staff	01	--
Secondary	38	27
Primary	129	110
Others (Casual and Temporary)	02	101
	-----	-----
	170	238
	===	====

Ninety eight casual labourers had been recruited and salaries had been paid without obtaining the approval of the commissioner of Local Government.

2:5 Assets Management

2:5:1 Accounts Receivable

-
- (a) A sum of Rs.2,688,750 under-reimbursed in connection with the projects implemented during the years 1997 to 2001 had been included in the accounts as debtors.
- (b) According to the Register of Prepayments, the balance receivable as at 31 December 2010 amounted to Rs.3,584,140 and a balance of Rs.2,705,844 had been brought forward from periods prior to the year 2004.

2:5:2 Staff Loans Recoverable

The balances of staff loans and advances recoverable as at 31 December 2010 totalled Rs.15,393,666. The balances older than 01 year remaining outstanding from 16 officers who had vacated posts, deceased, etc. amounted to Rs.252,796.

2:6 Irregular Transactions

Re-employment based on Unavailed Leave

The following observations are made.

- (a) Two officers who had retired had been re-employed on the unavailed leave. Out of them, the deployment of the officer in charge of the Raddoluwa Sub-office in service had not been approved by the Commissioner of Local Government.
- (b) The retired officer in charge of the Raddoluwa Sub-office had been re-employed for 4 ½ months without approval and a sum of Rs.80,811 had been paid in that connection.
- (c) A sum of Rs.47,824 had been paid in connection with the re-employment of a retired officer contrary to the provisions in the Public Administration Circular No. 9/2007 of 11 May 2007.

2:7 Transactions of Contentious Nature

The following observations are made.

(a) Payments made for Preparation of Accounts

Despite the deployment of an officer of the Management Assistants' Service on the preparation of accounts, the services of a retired officer had been obtained for the preparation of accounts, without utilizing the services of the officer concerned, in accordance with a decision taken at the Meeting of the Sabha held on 25 February 2010 and a sum of Rs.24,000 for 24 days at Rs.1,000 per day had been paid.

(b) Collection of Annual Rent on Private Meat Stalls

In terms of Sub-sections (xi) and (xii) of Section 19(1) of the Pradeshiya Sabha Act, No. 15 of 1987, properties of the Pradeshiya Sabha can be given out on rent or lease. Nevertheless, it was observed in audit that contrary to such provision, annual rent of Rs.370,000 had been obtained from 05 private meat stalls which were not owned by the Sabha.

(c) Payments made for the Maintenance of the Rates Software

A sum of Rs.51,000 had been paid in the year under review for computerization and maintenance of the Rates of the Sabha. The following observations are made in this connection.

- (i) In terms of paragraph 11 of the Local Government Circular No. LG/15/2001 dated 12 October 2001, the staff of the Sabha should be provided with a comprehensive training in order to avoid the procurement of additional services after the computerization of rates of Pradeshiya Sabha. As such, there is no need for maintaining an annual servicing agreement for the software. As such it is observed that there is no need for the payment of a sum of Rs.30,000 as service charges to the supplier of the software.
- (ii) The cheque which should be drawn in the name of Global Computers Systems, Madampe, Galle had been drawn in the name of a person.
- (iii) Despite the availability of an agreement for servicing of the software, the payment of a sum of Rs.21,000 for the installation of the new software with the new bill format and for the installation of the software to the new computer had not been explained.

2:8 Internal Audit

An adequate internal audit of the institution had not been carried out.

3. Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a) Budgetary Control
- (b) Internal Audit
- (c) Revenue Administration
- (d) Assets Management