

Katana Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summarized report of the relevant Auditor General's report and the management report had been forwarded to the Chairman on 28 June 2019 and 29 August 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in f this report, the financial statements of the Katana Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for qualified opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The stamp fees of Rs.48,245,670 erroneously accounted during the previous year had been adjusted in the stamp revenue for the year under review while making rectifications.	Should be correctly adjusted in the Accumulated Fund.	Referred to the general council's approval for rectification.
(ii) The expenditure of Rs.2,605.466 Incurred on 03 works during the year under review had not been capitalized.	Work completed should be capitalized.	Entered in the register of fixed assets.
(iii) The book valued of Rs.8,599,237 had been accounted instead of the physical stock of Rs.6,332,636.	Physical stock should be accounted.	The annual transitions relating to stock had been correctly accounted.

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The balances of 03 accounts shown In the financial statements as at 31 December 2018 differed from the balances in the subsidiary register by Rs.20,680,413.	Differences in balances of accounts should be reconciled and rectified.	Will be rectified in the final accounts 2019.

(c) Accounts Receivable

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Action had not been taken to recover balances of Rs.142,324 receivable for 11 works over 10 years.	Action should be taken to recover balances receivable.	These are balances over 10 years.

(d) Lack of necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Three items of accounts valued at Rs.159,806,005 could not be satisfactorily vouched in audit due non rendition of schedules and age analysis.	Evidence to confirm balances of accounts should be furnished.	Accounts will be rectified and schedules furnished.

1.4 Non-compliance

Non compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
Circular of the Western Commissioner of Local Government No.LED/04/2017 Of 25 May 2017	Estimates exceeding Rs. 02 million should be approved by the Provincial Engineer (Gampaha). However, the construction of Polgalawaththa Community center estimated at Rs.4,872,672 had been split into 05 stages and approved by the technical officer of the Sabha.	Estimate should be approved as per circular.	The building proposed to be implemented by the Sabha will be estimated and referred to the District Engineer for approval and will be split into portions and will be implemented according to procurement procedures.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the year under review amounted to Rs.70,277,529 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.114,308,008.

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	2018				2017			
	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
Rates and Taxes	36,100	46,838	46,990	28,392	34,469	35,336	34,314	30,054
Rent	1,155	923	932	29	1,593	1,022	1,045	8
License Fees	1,530	1,266	1,948	(682)	980	1,187	1,187	-
Other Revenue	155,220	155,220	98,088	57,131	190,026	179,686	71,298	14

2.2.2 Rates and Taxes

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The number of units of rates in arrears as at 31 December 2018 were 446 which were over Rs.5,000 and instant amounted to Rs.4,974,340. Action had not been taken to recover these arrears or to issue distraining orders.	Arrears of rates should be recovered distraining orders issued.	Action is being taken to recover arrears.
(b) Recoveries made from the arrears of Rates at the Katana, Aandiambalama, Raddoluwa and Demmanhandiya sub offices as at 31 December 2017 were 33, 47, 47 and 45 percentages by 31 December 2018.	Recovery of arrears should be improved.	Necessary action is being taken to recover arrears of
(c) Out of the arrears of rates as at 31 December 2018, the recoveries by 31 May 2019 amounted to Rs.7,469,604. A further arrears of Rs.19,262,580 was due. Of these, distraining orders had been issued to 2316 properties only which amounted to Rs.8,348,793	Action should be taken to recover arrears	Action is being taken for recovery.

3. Operating Review

3.1 Performance

According to the Section 3 of the Pradeshiya Sabha Act the following matters were revealed with regard to functions to be performed by the Sabha regarding regularization and administration of public health, common amenities services and public highways, health propensities of the Public, facilities and welfare etc.

(a) Action Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Performance report prepared for the action plan furnished had not been furnished to audit.	Performance report should be furnished.	Performance report will be furnished according to the action plan in future.

(b) Non-achievement of the Expected Output

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Nine projects valued at Rs.37,276,125 commenced on 31 December 2018 with the funds of the Sabha had not been completed even by 31 May 2019. Two projects valued at Rs.1,855,474 estimated during the year under review from the funds of the Sabha under the departmental system had not been executed.	Estimated projects should be executed.	Many of those projects had been completed now. Work on other projects had commenced.

(c) Sustainable Development Targets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Each state institution is obliged to Identify the sustainable development objectives and targets and to Implement them in terms of the Sustainable Development Act No.19 of 2017 in order to achieve the Sustainable development objectives and targets as per Agenda of 2015 – 2030 of the United Nation Organization.	Sustainable Development objectives and targets should be identified.	It is kindly informed that the Corporate Plan (2019-2023) had been prepared on the basis of sustainable development objectives and targets.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Although the Sabha could have used Its road roller, it had hired one during 05 April to 08 May 2018 for 14 days paying Rs.84,000 to outsiders.	Vehicles should not be obtained on hire while it had one.	It was inoperative during this period and had not been used.
(b) Although 2752 applications for buildings had been obtained during the 03 years 2016 to 2018, compliance	Action should be taken to improve revenue through field inspections.	On many occasions, buildings approved had not been completed during the respective year and compliance certificates obtained.

certificates had been issued to 113 of them only. The revenue inspectors had not billed revenue for compliance certificates not obtained and for buildings not constructed so far. As a result, the Sabha had been deprived of an extensive revenue from rates.

Many applicants made requests for final instalments of bank loans.

3.3 Operating Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>(a) The Kotugoda waththa land had been vested with the Sabha in 1998 for a public housing scheme. This had not been used for the said purpose and 56 unauthorized families were in occupation there. These persons had no title deeds to prove their ownership. In spite of this, rates had been assessed and recovered. According to the letter of the Commissioner of Local Government dated 05 February 2002, approval had been granted for sale of those land to 10 occupants of this land. However, action had not been taken to sell 09 blocks except the 24 perches land which had been allocated for common amenities.</p>	<p>Action should be taken to utilize it for the relevant purpose. The land for common amenities should be used for Such purpose.</p>	<p>Requests had been made for a housing scheme for occupants who have no land or houses to construct a housing scheme under the old assessment rates. However, action is being taken to act within the framework of the existing law.</p>
<p>(b) The Sabha had informed that the survey plan for sub division of land cannot be approved. In spite of this, a private Land sale company had engaged in propaganda for the 94 perches land at Aswedduma land, Kimbulapitiya and had commenced selling blocks of land. The Sabha had not taken necessary action in this regard.</p>	<p>Forward action should not be taken for survey plan of sub division time of the land without approval.</p>	<p>The applicant had been informed to avoid sale of blocks of this land until such approval is granted for sub division.</p>

3.4 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action had not been taken to recover loan balances of Rs.641,975 recoverable from 04 officers who had gone on change of station transfers, vacation of posts and retirement.	----- Prompt action should be taken to recover employees loans.	----- Action had been taken to recover.

3.5 Assets Management

3.5.1 Assets not Registered

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The existence of land and buildings valued At Rs.385,040,395 and motor vehicles and carts valued at Rs.63,224,405 as per register c	----- The existence of fixed assets should be confirmed by verifications.	----- Will be rectified in the board of survey of the ensuing year.

3.6 Procurement

3.6.1 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) The construction of Polgalawaththa community center commenced in 2014. This construction had been entrusted to a contractor who had not been registered and without competitive procurement procedures. The expenditure incurred on 05 stages of this work during 2014 to 2018 amounted to Rs.4,872,672. However, the construction had not been done in such a manner so as to make use of it. Painting of walls, work relating to the front portion of the concrete pole, fixing of ceiling etc., were incomplete	----- Action should be taken to achieve the expected results by competitive procurement procedures.	----- The lapses in constructed had been fulfilled by the contractor.

and there were many lapses in the work completed.

- (b) The estimate for concreting the Heenatiyana Dutugamunu Mawatha implemented under the departmental method amounted to Rs.1,000,000 and a sum of Rs.561,939 being 56 per cent of the estimate amount had been estimated as expenses in suspense. The ABC mixture to be supplied for the length of 300 ft of road had been estimated as 8.9 cubes. However, according to the measurement report furnished for the road, 6.50 cubes of ABC mixture had been supplied for a length of 219 ft of the road and payments had been made accordingly. But, the concrete mixture for 300 ft had been estimated as 9 cubes. As a result, a difference of 81 ft existed between the length of roads where ABC mixture and concrete mixture had been used. That report had been furnished in respect of the concrete mixture supplied by a private firm.

Concreting of road should be according to the estimates. Replies furnished should show as deficits and excesses.

An interim report had been annexed for concrete. Such delays will be minimized.