

Katana Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 September 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Katana Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my 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 Katana Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a.) The approved and estimated value of 05 community halls constructed/being constructed had been brought to account instead of the cost and therefore, fixed assets had been overstated by Rs.3,165,772.
- (b.) Correct accounting had not been done in respect of Value Added Tax paid and recovered by the Sabha and only the tax amounting to Rs.4,194,318 recovered had been accounted as payable.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.53,253,285 as compared with the excess of revenue over recurrent expenditure amounting to Rs.30,549,660 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	29,433	22,214	30,930
(ii.) Lease Rent	1,307	947	411
(iii.) Other Revenue	750	607	199

2.3 Operating Inefficiencies

Huge amount of money had been retained as cash in hand and cash in collection accounts at Sub –offices, without being credited to the fund account and as such, the balance of the fund had become an overdraft. As separate accounts had not been maintained for the bank account of the fund, this overdraft had not been reflected in the books of accounts.

2.4 Underutilization of Funds

The approved provision of Rs.3,000,000 for the construction of Udammita Community Hall(New) for the year 2012 had not been utilized.

2.5 Control Over Contracts

(a.) Construction of the Udammita Community Hall(New)

Although a sum of Rs.4,274,059 had been spent up to date for this project of which construction had been commenced in the year 2008; action had not been taken to complete the construction and put to use.

(b.) Construction of the Udammita Community Hall(Old)

Although a sum of Rs.421,291 had been spent for this project of which construction had been commenced in the year 2008, necessary action had not been taken to complete the construction and put to use.

(c.) Construction of Malberiwitta Water Scheme

This Project commenced in year 2010 had not been completed and action had not been taken to fulfil the water requirements of 820 families as expected.

3. Systems and Controls

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