

KatunayakeSeeduwaUrban Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 28 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 21 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 theKatunayakeSeeduwa Urban Council 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 Policies

Audit Observations	Recommendations	Comments of the Accounting Officer
The Stamp Duty income had been accounted on the accrual basis even though according to the accounting policies it should be accounted the income that could not be accurately realized on the cash basis therefore the stamp duty income and the revenue for the year had been over stated by Rs.1,051,250.	Actions should be taken to account according to the accounting policies.	Inform that this stamp duty income of Rs.1,051,250 had been received on the January 2020.

1.3.2 Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) 29 lands had not been valuedand accounted when making the accounts for the year under review.	All the assets owned by the Sabha should be realized and accounted.	Inform that actions would be taken to carry out the other land valuations regarding the query.

- (b) The book value of Rs.8,917,189 had been accounted at the end of the year under review without taking the physical stock value to the accounts. Reconciliation should be made by comparing the book value and the physical value of the stock. Inform that a reconciliation is made monthly on the book value and the physical value of the stock therefore that account is not prepared.

1.3.3 Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
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A difference had been appeared of Rs.7,664,336 between 04 items of balances and its subsidiary registers as at 31 December 2019.	Actions should be taken to reconcile the account and the subsidiary registers.	Inform that actions would be taken to correct this.

1.3.4 Suspense Account

The balance of Rs.12,051,288 in the Suspense account for the preceding year had been settled by the accounts for the year under review and the following observations are made.

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Balance of Rs.97,644 could not be identified in the written off balance of Rs.2,366,571 in the rates receivable account for the year 2017.	Actions should be taken to identify the balances that had not been identified.	Inform that the actions would be taken to correct.
(b) The amended account had been accounted as Rs.12,760,606 even though the difference between receivable capital aids and the actual aids for the year 2017 had been Rs.13,484,349, therefore the evidence on the difference of Rs.723,743 had not been revealed.	The Evidence to reveal the values should be rendered.	Inform that the actions would be taken to correct.
(c) A balance of Rs.625,052 mentioned as the arrears in other income as at 31 December 2018 had not been confirmed.	The details should be forwarded to confirm the revenue in arrears accounted.	Inform that the actions would be taken to correct.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
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.	Public should be given the facility to use the internet service.	Inform that actions would be taken to create a web site and a tenderer had been chosen for that.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2019 amounted to Rs.149,282,566 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.64,410,937.

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	106,868	110,822	103,496	28,501	106,309	110,112	98,850	11,261
(ii) Rent	10,635	10,011	12,511	408	11,325	12,734	12,396	338
(iii) Licence Fees	9,301	5,259	6,563	-	2,151	2,703	2,703	-
(iv) Other Revenue	157,487	1,028	128,109	12,118	59,359	44,986	44,788	10,976
	284,291	127,120	250,679	41,027	179,144	170,535	158,737	22,575

2.2.2 Rates and Tax

(a) Rates

Audit Observations	Recommendations	Comments of the Accounting Officer
The rates had been charged on the assessment made on the year 2009.	A valuation should be carried out for every 05 years.	Inform that the rates had been charged on the valuation made in the year 2009 up to now but 15 percent for businesses and 04 percent on the households would be charged under the approval of the Minister in Charge of the Subject.

(a) Business Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
Business tax had not been charged from any business relevant to agencies of Insurance within the authority of the Sabha.	Actions should be taken to recover business tax from the businesses within the authority of the Sabha up to date.	Inform that it had been charged in the present.

2.2.3 License Fees

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) An annual fee had been charged for the year under review from 07 logging places and hotels on the basis of number of rooms against the orders of the Urban Councils Ordinances even though it should be charged 01 percent of the total revenue of the restaurants, logging places and the hotels registered under the Tourists Board.	The annual fee should be charged 01 percent of the total revenue.	That process had been made accurate from the year 2020 according to the Urban Councils Ordinances
(b) Actions had not been taken to issue environmental license and recover charges from 16 Businesses and Industries carrying on their business within the Authority of the Sabha.	The Environmental license fees should be charged.	Inform that it had been notices to obtain the Environmental License in written and 05 institutions had been obtained the environmental license.

2.2.4 Other Income

Audit Observations	Recommendations	Comments of the Accounting Officer
The garbage had been let to disposed to the yard of the Sabha without any charges and charges had been taken from only 03 business institutions.	Actions should be taken according o the rules of the Solid Waste Management.	Inform that it would be stopped the private vehicles which deliver garbage and use the tractors owned by the Sabha and charge Rs.8,000 per day from the year 2020.

3. Operating Review

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 4 of the Urban Councils Ordinance, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

3.1 Performance

(a) Annual Performance Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
The needs likedistribution of the details regarding the institutions incurred in the annual performance report through a web site, supply the facility to the general public to make their praises / accusations through the web site on those institutions, carry on a front office to supply a favourable service to the public and introduction of a customer care centre etc, had not been completed.	A front office and a customer care centre should be implemented according to the performance plan.	The space in the Office building is not sufficient therefore a front office would be started after the old building had repaired.

(b) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
The environment had been faced to a strong impact because the backhoe machine used in the garbage yard had not been worked for the whole year and it made the garbage open to the environment and a huge damage had been occurred by a fire occurred in the garbage yard on 20 February 2020.	The garbage yard should be carried out as to lessen the damage to the environment.	Inform that a D5D machine had been ordered for the Sabha because the high cost for thinning the garbage to maintain the yard.

3.2 Human Resources Management

3.2.1 Employee Loans

Audit Observations	Recommendations	Comments of the Accounting Officer
Actions had not been taken to recover the loan balance of Rs.126,086 from two officers served in the Sabha and three Officers transferred and a loan balance of Rs.158,314 from 05 officers retired.	Actions should be taken to recover the loan balances from the officers transferred and retired.	Inform that the actions would be taken to recover the loan balances from the officers transferred and retired.

3.3 Operational Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
The actions had not been taken to register the three wheeler societies carried out within the authority of the Sabha.	Actions should be taken to recover the revenue by enacting by-laws.	Inform that a by-law approved by the Provincial Council- Western Province on 22 September 2015 would be implemented within the authority of the Sabha by the approval made in the General Meeting held on 28 February 2020

3.4 Assets Management

3.4.1 Board of Survey

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) It had been stated that the KatunayakeAmbagahawatta land of 21 perches located in Katunayake, Gorakagahakumbura Land of 21 perches located in Amandoluwa and 07 Tractor Trailers could not be found by the board of survey carried on for the year under review.	Actions should be taken to protect the assets owned by the Sabha and acquire that legal possession.	Inform that the lands could not be realized because of the situation that clear plans and deeds could not be found therefore future actions would be taken after the information had been gathered from the Land Register Office and an investigation is being carried out by the Commission of Bribery and Corruption on the Gorakagahakumbura Land of 40 perches located in Amandoluwa and actions would be taken in the future under the regulations of it.
(b) 27 Lands without Deeds and Plans had been found owned by the Sabha.	Actions should be taken to acquire the legal possession of the Lands owned by the Sabha.	Inform that these lands are being utilized by the Urban Council for a long time and advices had been given to obtain the approval from the Sabha to make the proclamation deeds.

3.5 Procurement

3.5.1 Contract Administration

Audit Observations

A loss of Rs.59,641 had been occurred by lessening the discount from 20 percent to 10 percent when purchasing library books to the Sabha because of not choosing the publisher under the section 9.4.1 of the Procurement Procedures. Books had been purchased from only 02 publishers and no procurement procedure had been followed to choose those two companies.

Recommendations

Actions should be taken according to the Procurement guidelines.

Comments of the Accounting Officer

Proposals for needs of books from 10 schools in the area had been obtained. Inform that most of the books are been available in the library therefore 25 percent of the proposals had been purchased.