

**Homagama Pradeshiya Sabha  
Colombo 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 2019 had been presented for audit on 11 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 25 September 2020 and 16 October 2020 respectively.

**1.2 Adverse Opinion**

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In my opinion, because of the significance of the matters discussed in the basis for adverse opinion section in my report, accompanying financial statements do not give a true and fair view of the financial position of the Homagama Pradeshiya Sabha 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 Qualified Opinion**

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**(a) Accounting Deficiencies**

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<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The cost of 09 buildings constructed in 2019 amounting to Rs.23,459,116 had not been brought to account.	The cost of construction of buildings should be capitalized.	The cost of these buildings constructed in 2019 amounting to Rs.23,456,116 will be capitalized while preparing the final accounts of 2020.
(b) The present physical existence of machines and machinery, motor vehicles and carts and furniture and fittings valued at Rs.21,655,609 which were in existence for over 20 years and auctioned during the previous years had not been confirmed. Instead, these had been brought to account under fixed assets.	The present existence of the assets should be confirmed and brought to account.	The existence of assets of the Sabha are being confirmed, revalued and entered in the accounts under the new accounting method.

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| (c) | Stores goods valued at Rs.2,531,143 which were physically not in existence had been entered in the stock account as stock of stores.  | Balances of physical stocks as at end of the year should be confirmed and brought to account. | A portion of these variances had been identified on the intervention of the office of the Assistant Commissioner of Local Government (Colombo District) by considering the receipts and issues only of 2013. A Committee will be appointed in future to identify the related information and rectifications will be made. |
| (d) | Provision for debtors had not been made for the sum of Rs.141,750,000 receivable from the Meegoda Economic Centre.  | Amount receivable should be accounted as debtors.   | Action will be taken to enter these information in accounts in 2020.  |
| (e) | Action had not been taken to delete the cost of goods disposed of during the year under review. The sales value of these amounted to Rs.77,018.   | Action should be taken to delete the cost of goods sold from the accounts.                    | All assets should be revalued as per new accounting method introduced by the Circular No.LGD/09/2019(1). As such, the physical existence of fixed assets could be physically confirmed and updated accordingly in 2020.   |
| (f) | Provision for creditors amounting to Rs.445,000 had been made for 02 work which had been abandoned due to expiry of the period of agreement.  | Should be corrected.  | Will be deleted from creditors while preparing accounts for 2020.   |
| (g) | The loss caused to the record room in the premises of the Sabha on 25 March 2015 due to fire had been estimated at Rs.2,117,441. This had not been disclosed in the financial statements. | All information should be disclosed in the financial statements.                              | It has been informed that the service charges of Rs.2,103,249 payable for September 2019 to December 2019 will be set off and the balance of Rs.14,192 will be recovered from them. The case is still pending. As such, entries will be made in the accounts after the verdict.   |

- (h) Community centres and crematoriums totally amounting to Rs.23,265,026 had been constructed during 2014, 2015 and 2016. These costs had not been brought account.
- The cost construction of buildings should be capitalized.
- Community centres and crematoriums totally amounting to Rs.23,265,026 had been constructed during 2014,2015 and 2016. Action will be taken to enter this in the register of assets in 2020.

### 1.3.2 Unreconciled Accounts

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A difference of Rs.141,084,349 existed among the total value of 08 items of accounts appearing in the financial statements and the related schedule.	Non reconciliation of balances should be rectified.	Will be rectified in 2020 if possible. Reasons for certain differences in balances cannot be found out.

### 1.3.3 Lack of Documentary Evidence for Audit

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Acceptable evidence had not been furnished for 04 items of accounts valued at Rs.446,262,801. As such, these could not be satisfactorily vouched / verified in audit.	Evidence to confirm the balances of accounts shown in the financial statements should be furnished.	The related schedule will be furnished in future.

## 1.4 Non - compliance

### 1.4.1 Non – compliance with Laws, Rules, Regulations and Management Decisions

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Special Provisions Relating to Local Authorities Act No.48	All immovable properties of the area should be assessed	All movable and immovable properties should	Rates of Homagama Zone are based on assessments made in 2011. Requests

of 1971.	every 05 years for recovery of rates. However, rates recovered in the Homagama Zone had been based on assessment made 09 years ago.	be assessed periodically.	had been made for assessments since 2016. As a result, the work had commenced in 2019. The assessment report is expected in 2020. Will be Implemented in 2021.
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(b) **Financial Regulation of the Democratic Socialist Republic of Sri Lanka**

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|-----------------|---|---|--|
| (i) F.R. 371(5) | Advances of Rs.4,424,170 granted had not been settled before 31 December of the year. | Advances granted should be settled without delay. | Previous advances are unable to be traced. |
| (ii) F.R. 571   | Action had not been taken regarding lapsed deposits of Rs.34,147,021 over 02 years.   | Lapsed deposits should be settled as per F.R.     | Reply refers to 2020.                      |

(c) **Circulars and Letters**

Planning Circular of the Urban Development Authority No.15 of 18 November 1993,	Necessary action had not been taken to utilize the funds in the Urban Development Authority Fund on an Identified project.	Funds should be utilized for useful projects.	A proposal had been accepted by the general council under No.5:11 of dated 19.09.2019 to utilize this fund to construct the first floor of the car park executed by the Puraneguma project and action is being taken accordingly.
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**2. Financial Review**

**2.1 Financial Results**

According to the financial statements presented, the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs.80,570,990 as compared with the excess of revenue over recurrent expenditure of the previous year amounting to Rs.134,926,783.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue billed, Revenue collected and the Arrears of Revenue

The 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	87,110	82,397	80,770	40,896	74,088	83,423	64,897	38,466
(ii) Rent	17,071	18,940	19,170	115	11,367	17,320	6,438	269
(iii) Licence Fees	5,401	4,989	5,088	12	4,101	5,269	2,849	-
(iv) Other Revenue	336,876	241,044	275,778	91,022	152,741	172,537	281,429	103,571
<b>Total</b>	<b>446,458</b>	<b>347,370</b>	<b>380,806</b>	<b>132,045</b>	<b>242,297</b>	<b>278,549</b>	<b>355,613</b>	<b>142,306</b>

### 2.2.2 Rates and Taxes

#### Audit observation

The rates receivable as at 31 December 2019 amounted to Rs.40,816,082 of which Rs.6,151,736 belonged to a period of over 05 years, Rs.5,518,392 belonged to a period of over 03 to 05 years and Rs.22,510,060 belonged to a period of 01 to 03 years.

#### Recommendation

Rates and Taxes recoverable should be recovered without delay.

#### Comments of the Accounting Officer

Mobile services had been conducted to recover balances. The Sabha had directed to pay arrears before 30.09.2020. List of arrears had been handed over to the distraining officers. Mobile services will be conducted and distraining orders issued in future.

### 2.2.3 Lease Rent

#### Audit observation

01 Acre, 02 roods and 10 perches of land had been given on an annual lease of

#### Recommendation

Action should be taken to recover revenue receivable.

#### Comments of the Accounting Officer

The matters pointed out in audit is accepted. The information needed for

Rs.300,000 to the Board of Trustees, Meegoda Economic Centre. The new assessment made in 2013 amounted to Rs.900,000 This had not been obtained. As such, Rs.14,750,000 was due as arrears of tax and fines for 2014 to 2018. The Sabha had not taken legal action in this regard.

filling cases against the Board of Trustee of the Meegoda Economic centre had been handed over to the legal officer of the Sabha.

#### 2.2.4 Court Fines

----- <b>Audit observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
The arrears of court fines receivable from the Chief Secretary of the Provincial and other authorities as at 31 December 2019 amounted to Rs.91,021,946.	Action should be taken to recover revenue receivable without further delay.	All court fines upto 2016 receivable as per schedule had now been received. The Court fines account will be updated by using the information.

### 3. Operating Review

#### 3.1 Performance

Matters relating to functions to be fulfilled by the Sabha with regard to regularization and control of public health, utility services and public highways, health facilities and welfare of the public as required by Section 3 of the Pradeshiye Sabha Act appear below.

##### (a) Bye-Laws

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Revenue amounting to Rs.811,100 had been earned in 2019 from the Homagama Faizer Musthapa Physical Centre. However, the bye-law required to be enacted as per Section 126 of the Pradeshia Sabha Act had not been framed as at 31 December 2019.	Bye-laws should be enacted for earning revenue.	A draft of the bye-law had been prepared and will be referred for approval.

(b) **Solid Waste Material Management**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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Although the general council had decided to construct a compost division on 15 November 2018 it had been done even by 31 December 2019.

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Action should be taken to construct the compost division without delay.

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The delay in constructing the compost division in the area selected is due to the protests made by the public. However, discussions are being held with the Urban Development Authority in this regard.

**3.2 Management Weaknesses**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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According to the register of public complaints at the Wethara Sub office in 2019, 89 complaints had been received regarding dangerous trees and 73 complaints had been received regarding unauthorized structures. However, the dates of receipt of those complaints and the information regarding action taken had not been entered in it.

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Action should be taken regarding public complaints without delay.

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Instructions had been given to update information regarding dangerous trees and unauthorized structures as per public complaints at Wethara sub office. Action is being taken accordingly at present.

**3.3 Human Resources Management**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

(a) **Vacancies and Excesses in the Cadre Audit Observation**

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There were 16 vacancies and 02 excesses in the approved cadre as at 31 December 2019.

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Essential vacancies should be filled.

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The vacancy for the post of Technical Officer had been filled on contract basis. Vacancy for the post of Revenue Inspector 01-Intimated not to make

recruitment as the case is pending in Courts. 04 out of 16 vacancies in the primary grade should be recruited as per Public.

Administration Circular No.25/2014 Vacancy for the Post of Driver-01 Applicant recommended and due to attend practical test.

**(b) Employee's Loans**

Out of employee's loans due as a 31 December 2019, a sum of Rs.1,522,985 was due from 28 persons who had retired, vacated posts and gone on transfers.

Arrears of employee's loans should be recovered without delay.

Action will be taken in future to recover loans amounting to Rs.1,522,985 from 28 persons who had retired, vacated posts and gone on transfers as at 31 December 2019.

**3.4 Transactions of a Contentious Nature**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
<p><b>(a) <u>Pre cast Production and Spraying on Roads</u></b></p> <p>The Sabha has decided to award the contract of production and spraying of pre cast tar to a private institution. While doing so, the contract for maintenance and production of pre cast for 2019 also entrusted to the same institution by making alterations in the price rate of 2018.</p> <p>Rs.16,031,716 had been spent on purchase of raw materials in 2019 and Rs.1,653,456 had been paid for purchasing 217 cubes of pre cast tar to fill pit holes. The amount paid to the institution dealing with the contract for production and spraying amounted to Rs.10,384,665.</p>	<p>The labourers of the Sabha could have been used to perform the work economically.</p>	<p>The quotations furnished by suppliers had been considered and action had been taken according to the recommendations of the Committee while purchasing raw materials.</p> <p>The Sabha is not in possession of adequate vehicles and machinery. As such, contractors were needed.</p>



The resources of the Sabha could have been used for pre cast work. But, an additional expenditure of Rs.10,384,665 had to be incurred by entrusting this work to external parties.

**(b) Obtaining Janitorial Services**

A sum of Rs.1,926,900 had been paid to a private institution in 2019 to clean the Homagama Head Office, Weththara sub office and Wilfred Senanayake Play ground physical fitness Centre and the Public market Complex. Payments made to another institution is not beneficial as there are 44 labourers at the Sabha to whom salaries are paid.

Action should be taken so that the Sabha could benefit.

It is difficult to utilize the sanitary labourers of the Sabha to clean the institutions and as such external services was required. Sanitary labourers are paid Rs.1,200 per day. Rs.6,000 has to be paid for 05 employees for work connected with cleaning. Rs.6,250 is paid to the external institution for this work. The cleaning items too has to be supplied by the Sabha if the employees of the Sabha are engaged in the work.

The sum of Rs.6,520 paid to Institution includes the cost of cleaning items too. As such, It is kindly informed that it is not a loss to the Sabha.

**3.5 Assets Management**

**3.5.1 Non confirmation of Safety of Assets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Action had not been taken to construct boundary fences for safety and take control 09 blocks of land obtained by the Sabha for common amenities, but being encroached by external parties at present.</p>	<p>Action should be taken to safeguard lands of the Sabha.</p>	<p>Name boards are being prepared for common amenities.</p>

### 3.5.2 Idle / Under Utilized Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) A generator, a motor grader small 4 wheeled tractors, 03 trailers and 03 iron racks produced by utilizing the tractor totally valued at Rs.6,146,250 remained idle.	Maximum benefit should be obtained from resources.	Necessary action is being taken for auctioning or should be disposed of.
(b) The Pitipana new two storied library building constructed by utilizing the general funds of the Sabha and the provisions made by the Provincial Council in 2011 amounting to Rs.3,248,058 remained idle.	Action should be taken to obtain maximum benefit from resources.	An agreement had been entered into for conducting a preparatory school at the two storied new library building at Pitipana.

### 3.6 Identified Losses

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) There were shortages of 201 flag stiffs valued at Rs.198,588 lying at the stores of the Head office.	Reasons for shortage should be traced and recoveries should be made from those who were responsible.	Informed Police. Reminders were sent and verbally informed.
(b) The no pay leave of Rs.118,360 due from 04 employees of the Weththara Sub office had not been recovered in 2019.	No pay leave recoveries should be made.	Although it had been informed that no pay leave of Rs.118,360 is due from 04 employees of the Weththara sub office in 2019, it should be revised as Rs.90,632 due to wrong computation of number of days.

**4. Accountability and Good Governance**  
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**4.1 Internal Audit**  
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**Audit Observation**  
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Adequate internal audit had not been carried out regarding construction, obtaining services on agreements, land for common amenities, approval of the assets and plans of the Sabha for the year 2019.

**Recommendation**  
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Efficient internal audit should be performed.

**Comments of the Accounting Officer**  
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It was practically not possible to perform continuous activities as 3 officers of the internal audit had been transferred in 2019.