

Homagama Pradeshiya Sabha
Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented to audit on 31 March 2015. The Report of the Auditor General for the year under review was furnished to the Secretary to the Sabha on 08 July 2016.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Homagama Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a) The telephone allowance amounting to Rs.8,000 paid for three Ministers in the year under review had been credited to the Creditors Account and debited to the Telephone Account considering as payable. As such, the Telephone Expenditure Account and the Creditors Account had been overstated by that amount.
- (b) Even though the electricity bill of the Head Office in December 2015 amounted to Rs.78,387, it had been accounted as Rs.90,000 in the Electricity Expenditure Account and the Creditors Account. As such, that Accounts had been overstated by Rs.11,613.
- (c) Even though the damage caused by fire in the building of the record room in the Sabha premises on 25 March 2015 had been estimated as Rs.1,202,867, it had not been disclosed in financial statements.
- (d) Due to an unidentified deposit balance valued at Rs.361,288 in the Bank Reconciliation Statement prepared by August 2015 for the Bank of Ceylon General Cash Account had not been settled and accounted, that balance had been brought forwarded over many years in Bank Reconciliation Statements from August 2015 up to date.
- (e) An over provision of Rs.25,914 had been allocated for the water bills of the month of December 2015 of the Head Office. As such, the water bills expenditure and Creditors Account of the year had been over stated by Rs.25,914.

- (f) The value of 3 motor vehicles amounting to Rs.20,907,473 donated to the Sabha from the Ministry of Local Government during the year under review had not been brought to account and action had not been taken to take over those motor vehicles to the Sabha even as at 29 April 2016, the date of audit.
- (g) The stamp duty value of Rs.203,742 payable as at the end of the year under review had not been paid to the Commissioner General of Inland Revenue.
- (h) Provisions for creditors for the audit fees payable in the year 2015 had not been made.
- (i) In settling of input tax and output tax relating to value added tax by the end of the year under review, a balance of Rs.623,804 receivable was existed. However, it had been shown as a debit balance under current liabilities in financial statements.

1.3.2 **Non-compliance with Laws, Rules, Regulations**

 The following observations are made.

- (a) Even though , more than 03 contracts could not have been granted for one Society in terms of Paragraph 3.3 of Public Finance Circular No.01/2012, 154 contracts had been granted as more than 03 for one Society.
- (b) Action in terms of Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka had not been taken in respect of the deposits amounting to Rs.3,039,929 brought forward over 02 years.
- (c) Even though, in terms of the Financial Regulation 371(2) (b) of the Democratic Socialist Republic of Sri Lanka, the sub-impressts granted for a particular purpose should be settled immediately after the completion of the purpose, the balance of Rs.60,500 relating to 04 advances unsettled over a period of 5 years to 13 years at the end of the year under review was existed.
- (d) Even though in terms of Financial Regulation 751(1) of the Democratic Socialist Republic of Sri Lanka, all stores received should be entered in Inventory and Stock Ledgers , the goods in all crematoria and the Prajashala at Lenagala of the Sabha had not been inventoried and maintained . Inventory Books of Libraries and several Pre-Schools had not been updated as well.

1.3.3 **Contingent Liabilities**

 Although two cases filed against the Sabha by external parties were in progress, a disclosure had not been made in the financial statements in the year under review in that connection.

1.3.4 **Un-reconciled Control Accounts**

The balances of 08 items of account according to the relevant Accounts totaled Rs.336,195,933 whereas according to the relevant subsidiary registers the balances of those accounts totaled Rs.258,194,607. As such a difference of Rs.78,001,326 was observed

1.3.5 **Un- settled Accounts**

The balances totalling Rs.169,582 relating to 03 items of accounts , were being brought forward during a number of years without being settled.

1.3.6 **Lack of Evidence for Audit**

(a) **Non-submission of Information to Audit**

Audit evidences relating to balances of 04 items of accounts totalling Rs.80,670,085 could not be satisfactorily vouched in audit .

(b) **Audit Queries not Replied**

Replies had not been furnished to 01 audit query value of Rs.5,670,159 as at 30 May 2015 .

2. **Financial Review**

2.1 **Financial Result**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.125,868,478 as compared with the excess of revenue over recurrent expenditure amounting to Rs.124,487,286 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 relating to the year under review as presented by the Secretary is shown below.

Item of Revenue	Balance in Arrears as at 01 January	Billing of the Year	Actual Recovery	Accumulate Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.
Rates	49,580,012	33,395,852	39,130,776	43,952,848
Stalls Rent	4,098,764	5,176,350	7,697,306	1,577,808
Entertainment Tax	67,115	601,720	633,920	34,915

2.2.1 Rates

While Rates in arrears as at 31 December 2015 had been Rs.43,952,848 and it had been increased by 11 per cent as compared with the preceding year.

2.2.3 Stalls Rent

- (a) While the balance of stall rent in arrears amounted to Rs.1,577,808 as at 31 December 2015, stalls rent of the weekly fair that had been outstanding over many years amounting to Rs. 271,215 had been included therein.
- (b) Action had not been taken to the recovery of the stalls rent in arrears in the Weekly Fair of Homagama amounted to Rs.271,215 as at 31 December 2015.

3. Operating Review

3.1 Management Inefficiencies

- (a) There were 36 Cemeteries in the Jurisdiction of the Sabha and the income earned from the reservation of the cemeteries amounted to Rs.186,000. However, all those cemeteries had not been maintained properly by deploying adequate employees.
- (b) As the Maternity Clinic at Diyagama had been closed down, the services should have been obtained thereof for the pregnant mothers had been lost.
- (c) A sum of Rs.56,308 had been paid to an Insurance Agent to insure 05 Tractors of the Sabha contrary to Paragraph 02 of the Public Finance Circular No.4/2015 dated 14 July 2015.

3.2 Improper Transactions

- (a) Paying a sum of Rs.156,800 in the year under review for the publishing of a newspaper advertisement for congratulating a Political Leader was an expenditure which was not covered by Section 132 of the Pradeshiya Sabha Act, No.15 of 1987.
- (b) Action in terms of the provision of Section 3.2 of the Government Procurement Guidelines

had not been taken in purchasing of 12 Laptop Computers valued at Rs.1,944,000 in the year under review.

3.3 **Staff Loans**

The total of loan balances to be recovered as at 31 December 2015 was Rs.13,508,287. The loan balances in arrears due from the persons transferred and retired, amounted to Rs.2,084,723. Action had not been taken to recover those balances and an age analysis also had not been presented.

3.4 **Idle and Underutilized Assets**

Two motor vehicles total value of Rs.1,390,625 and 03 motor vehicles which the value could not be found had been remained idle as at 31 December 2015.

3.5 **Contract Administration**

Out of the 662 industries ,525 industries had been completed by incurring a cost of Rs.224,886,363 in the year under review and there were 48 industries to be completed in the following year. Eighty Five industries had been abandoned.

3.6 **Solid Waste Management**

The quantity of garbage disposed per month in the area of authority of the Sabha in the year under review ranged between 753-1074 tons and 11,179 tons of garbage collected within the year had been disposed to the Karadiyana Garbage Yard . A sum totalling Rs.16,970,343 had been spent for the waste management as Rs.6,665,223 to the Waste Management Authority, a sum of Rs.10,305,120 to a contractor for the transportation of garbage for that purpose. A community awareness programme had been implemented by distributing compost barrels to the house holders for the dispose of garbage in their own home yards as a solution for the garbage problem in the area. However, plans had been made and implemented to collect only degradable garbage by tractors, suggestions are made in audit that , the same programme should be expand for the minimization of the cost.

4. **Qualitative and Good Governance**

4.1 **Internal Audit**

An adequate internal audit had not been carried out in respect of the year 2015 and the copies of the internal audit reports had not been furnished to the Audit .

4.2 **Action Plan**

According to the provisions in Paragraph 04 of the Public Finance Circular No.PFD/RED/01/2014/01 dated 11 February 2014, an Action Plan had not been prepared.

4.3 **Implementation of Audit and Management Committees.**

The minimum number of Audit and Management Committee meetings should be held in the year of accounts in terms of the Public Finance Circular No.PED/12 dated 03 June 2003 had not been conducted.

5. **Systems and Controls**

The special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Financial Control
- (c) Stock Control
- (d) Revenue Administration
- (e) Contract Administration
- (f) Internal Audit