

Homagama Pradeshiya Sabha

Colombo District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 27 March 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 08 July 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Homagama Pradeshiya Sabha as at 31 December 2016 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 accounting deficiencies were observed in audit.

- (a) The loss of Rs.1,202,867 caused to the building of the record room due to fire had not been disclosed in the financial statements.
- (b) Action had not been taken to delete the purchase price of 2 vehicles from the vehicles account which had been sold on auction for Rs.413,000 in 2016.
- (c) The values of the buildings of the community centre and the crematorium amounting to Rs.23,265,026 had not been brought to account.
- (d) The direct receipt of Rs.1,530,000 received at the bank in December 2016 had not been brought to account.
- (e) The value of 1261 books misplaced amounting to Rs.272,615 had not been adjusted in the accounts resulting in an overstatement of Stock Account by a similar amount.

1.3.2 Unreconciled Control Accounts

The balances of 03 items of accounts aggregated Rs.22,307,800 as per accounts whereas the related balances aggregated Rs.21,354,259 as per subsidiary registers.

1.3.3 **Lack of Evidence for Audit**

(a) **Audit queries not replied**

Reply for the audit query valued at Rs.1,805,378 had not been received even by 15 September 2017.

(b) **Non rendition of Information for Audit**

Transactions aggregating Rs.13,094,930 could not be satisfactorily vouched in audit due to non rendition of necessary information for audit.

2. **Financial 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 2016 amounted to Rs124,665,116 as compared with the excess revenue over recurrent expenditure of the preceding year amounting to Rs.125,868,478.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Actual Revenue and the Arrears of Revenue**

The information relating to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review and the previous year appear below.

Revenue Item	2016				2015			
	Balance as at 01 January	Billing for the year	Actual recoveries	Accumulated arrears as at 31 December	Balance as at 01 January	Billing for the year	Actual recoveries	Accumulated arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and taxes	18,614,799	16,642,466	22,204,858	13,720,707	49,580,012	33,395,852	39,130,776	43,952,848
Lease Rent	1,207,612	5,060,300	5,621,955	610,808	4,098,764	5,176,350	7,697,306	1,577,808
Entertainment Tax	37,812	339,659	322,216	55,254	67,115	601,720	633,920	34,905

2.2.2 **Rates and Taxes**

The arrears of rates and taxes as at end of the year under review amounted to Rs.13,720,707. Of these, a sum of Rs.1,029,048 representing 08 per cent related to arrears exceeding 05 years.

3. **Operating Review**

3.1 **Management Inefficiencies**

The following matters are observed.

- (a) The amount recoverable from officers who had died/vacated posts/retired as at 31 December 2016 was Rs.623,981. Action had not been taken to recover these loans even during the current year.
- (b) The Balin machine given to the Sabha in 2015 under the world bank aid to make blocks of polythene had not been utilized to make blocks of polythene to be handed over to the Holcime institution even by May 2017.

3.2 **Idle and Undeutilized Assets**

Electrical equipment valued at Rs.34,564, a motor grader valued at Rs.590,625 and a generator and a tractor, the values of which had not been revealed remained idle as at 31 December 2016.

3.3 **Identified Losses**

- (a) Shortages of 02 laptop computers, 09 ordinary chairs, a typewriter and 38 plastic chairs without handles the value of which had not been disclosed, were revealed at the board of survey carried out at the Wethera Sub office as at 31 December 2016.
- (b) Shortages of 156 flagstaffs valued at Rs.154,206 had been detected at the stores of the head office.
- (c) The value of 1,261 misplaced books amounted to Rs.272,615.

3.4 **Contract Administration**

The number of industries to be executed during the year under review were 574 and the value was Rs.8,616,862. Of these, 20 industries had been abandoned and 113 industries valued at Rs.75,791,033 had not been completed.

4. **Good Governance and Accountability**

(a) **Budgetary Control**

Significant variances were observed between the budgeted and actual revenue and expenditure. It was thus observed that the budget had not been utilized as an efficient instrument of management control.

(b) **Internal Audit**

The internal audit programme for the year 2016 had not been furnished to audit. Adequate internal audit had not been carried out and the copies of internal audit reports had not been furnished to audit.

(c) **Annual Action Plan**

According to the Annual Action Plan prepared for the year 2016, 281 industries were to be executed during the year under review. However, 39 industries only had been executed. Instead, 441 other industries not included in the action plan had been executed during the year under review. Accordingly, it was observed that although the Sabha had prepared an action plan, action had not been taken accordingly.

5. **Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

(a) Accounting

(b) Revenue Administration

(c) Internal Audit