

Homagama Pradeshiya Sabha

Colombo District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 15 October 2018.

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 of the Homagama Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 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.

- (a) The total construction costs of Rs.53,879,529 of community centres, crematoriums, maternity homes and office buildings constructed since 2014 had not been brought to account.
- (b) Machines and machinery existing for over 20 years and auctioned during the previous years valued at Rs.7,539,576, motor cars, carts, furniture and fittings had not been verified to confirm their physical existence. Instead, these had been brought to account under the fixed assets.
- (c) Action had not been taken to delete from the accounts the cost of goods disposed of, for Rs.227,750 during the year under review.
- (d) Provision had not been made for the sum of Rs.9,706,300 payable for physical exercise equipment obtained during the year under review.
- (e) Stores goods valued at Rs.5,502,619 which were physically not in existence had been brought to account as stores goods in the stock account.

- (f) The loss caused to the record room building within the premises of the Sabha due to fire on 25March 2015 had been estimated at Rs.1,202,867, However, this had not been disclosed in the financial statements.

1.3.2 Contingent Liability

External parties had filed 05 cases valued at Rs.32,500 against the Sabha. This had not been disclosed as a note in the financial statements.

1.3.3 Unreconciled Accounts

A difference of Rs.16,553,734 was observed between the balances in the financial statements presented for audit and the related subsidiary registers/schedules with regard to 08 items of accounts.

1.3.4 Accounts Receivable and Payable

Accounts Receivable

- (a) The arrears of salaries of Rs.209,142 receivable for 2017 had not been reimbursed even by September 2018.
- (b) The new assessment amounting to Rs.900,000 made for the 01 acre, 02 roods and 10 perches land had been entrusted to the Meegoda Economic Centre Trust Board for an annual lease rent of Rs.300,000. The newly assessed amount of 2013 had not been obtained and as such the arrears due for the years 2014, 2015 2016 and 2017 amounted to Rs.2,700,000.

1.3.5 Non-compliance

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations etc.,	Value	Non - compliance
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	Rs.	
(a) Special Provisions Act of the Local Government Institutions No.48 of 1971	-	All immovable properties within the authoritative area of the Sabha should be assessed every 05 years in order to recover rates and taxes. However, the Sabha had

recovered rates and taxes based on the assessment made 07 years ago.

(b) Circulars and Letters

- | | | | |
|------|---|------------|--|
| (i) | Circular of the Urban Development Authority No. December/01 of 20 March 1985 | 4,838,218 | The ratio of extent of land being exceeded, unauthorized structures being made and 25 per cent of the service charges obtained for car park not being remitted to the Urban Development Authority. |
| (ii) | Planning Circular No.15 of the Urban Development Authority dated 18 November 1993 | 19,352,872 | Necessary action had not been taken to utilize the money in the Urban Development Authority Account for identified projects. |

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 2017 amounted to Rs.122,213,348 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.124,665,116.

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	2017				2016			
	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	53,926,700	71,670,580	76,151,369	29,688,575	5,326,700	52,746,452	65,708,626	33,717,640
Rent	12,618,791	11,502,847	11,861,422	393,302	12,618,791	13,368,675	13,996,329	739,620
Licence Fees	6,000,900	4,906,274	5,000,928	-	2,500,000	5,291,041	5,291,041	-
Other Revenue	381,735,026	244,922,680	376,228,139	162,665,062	2,936,947,108	249,250,437	300,518,503	247,496,949

2.2.2 Rates and Taxes

Rates

The rates receivable by the Sabha as at 31 December 2017 amounted to Rs.29,610,616. An age analysis of this appear below.

Period of Arrears	Homagama Sub Office	Wethara Sub office	Total
	Rs.	Rs.	Rs.
Less than 01 year	4,051,839	2,186,541	6,238,380
1 - 3 years	5,452,004	9,117,713	14,569,717
3 - 5 years	1,190,338	3,376,810	4,567,148
Over 5 years	2,476,274	1,759,097	4,235,371
	13,170,455	16,440,161	29,610,616

2.2.3 Rent

Stall Rent

- The arrears of beef stall rent revenue over 03 years amounting to Rs.45,419 had been recovered from the money deposited. But, this had not been brought to account yet.
- The buildings of the Sabha such as, welfare association, community centres, banks and sub post offices which are service oriented too had been included in the register of stall rent.

2.2.4 Court Fines and Stamp fees

Court fines of Rs. 87,388,797 and stamp fees of Rs. 75,011,833 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

- Work Abandoned

Three work planned to be executed at an estimated value of Rs. 1,155,000 during the year under review had been abandoned.

(b) **Solid Waste Material Management**

Quotations had been called for, to transport the garbage collected by the Sabha to the Karadiyana garbage sector in 2016. The Administrative committee decided to award the tender to the institution which forwarded the lowest tender, on the recommendations of the technical evaluation committee.

The following matters are observe in this connection.

- (i) Investigation reports reveal that this institution had transported garbage in 2016 causing a loss of Rs. 2,491,031 to the Sabha due to lapses in transporting garbage.
- (ii) The contract to transport garbage had also been awarded during the year 2017 and the supervisors had also complained various lapses during the year.
- (iii) The agreements entered into between both parties between 01 March 2017 and 01 March 2018 had been cancelled since January 2018 and the contractor had been blacklisted. As such, the contractor had filed a case in the court of appeal which is still pending.

(c) **Sustainable Development Target**

It was observed that the Sabha was not aware of the 2030 Agenda relating to sustainable development objectives.

3.2 Human Resources Management

(a) **Vacancies and Excess in the Cadre**

Vacancies for each posts of technical officer, librarian, revenue inspector and pre-school teacher belonging to the secondary level were in existence while there were 17 vacancies and 01 excess in the primary level.

(b) **Employees' Loans**

The employees' loans recoverable as at 31 December 2017 amounted to Rs. 23,038,556. This included Rs. 53,981 due from 12 employees whose whereabouts could not be obtained and Rs. 369,727 due from 06 employees who had expired / vacated posts / interdicted.

3.3 Transactions of Contentious Nature

Quotations had been called for, to physical exercise equipment to establish a physical training centre. 03 institutions had forwarded their quotations. The highest tender for Rs. 9,706,300 had been accepted on recommendations of the technical evaluation committee which had stated those were of European origin. Accordingly, the difference between the highest and the lowest tender of Rs.3,703,260 amounted to Rs. 6,003,040. However, a certificate to confirm its European origin (Spain) had not been furnished. The country of origin and serial number had not been marked in any of those equipment. Information obtained revealed that those had been imported from China and Thaiwan.

3.4 Assets Management

3.4.1 Assets not Registered

- (a) Title deeds of 18 blocks of land of the Sabha had been misplaced.
- (b) The register of inventories at the Wethara sub office had not been updated. 46 ordinary chairs, 12 steel almyrahs, 03 computers and 12 calculators had not been entered in the register of inventories.

3.4.2 Idle / under utilized Assets

A generator, the value of which could not be identified was getting corroded.

3.5 Identified losses

Shortage of 113 flagstuffs valued at Rs. 111,985 was observed at the stores of the head office.

4. Accountability and Good Governance

Budgetary Control

- (a) The entire amount of Rs. 10,422,200 of 95 Objects had been saved.
- (b) More than 50 percent, that is Rs. 3,475,039 of the sum of Rs. 3,864,500 provided for 39 Objects remained unspent.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
(a) Accounting	Non maintenance of updated books of accounts and registers.
(b) Assets / Properties	(i) Not registerd (ii) Safety not assured
(c) Stock Control	Stocks not entered in registers.