

**Homagama Pradeshiya Sabha**

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**Colombo District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented to audit on 08 April 2019 and the summary report and the Detailed Management Audit Report of the Auditor General on the financial statements had been issued to the Chairman on 01 June 2019 and 31 August 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for qualified Opinion Section 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 2018 and its financial performance for the year the ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Deficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) The cost of 3 buildings valued at Rs.18,823,916 constructed in the year 2018 had not been brought to account.	Fixed assets should be capitalized.	In preparing final accounts Of 2019 action will be taken to capitalize it through a journal entry.
(ii) The value of machinery and equipment, motor vehicles and carts and furniture and fixtures totalling Rs.7,539,576 which were old more than 20 years and auctioned in the preceding years had been included in the balance of the fixed assets	The current physical existence of the assets should be ensured and the value of other assets should be eliminated.	The value of the goods which were not physically available and removed by the auctions will be eliminated from the fixed assets register.

without being ensured the existence of those at present.

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|-------|---|---|---|
| (iii) | A sum of Rs.69,300,000 receivable from Caretaker Board of the Meegoda Economic Centre had not been brought to account.  | The receivable values should be brought to account.   | In preparing next final accounts, the said arrears will be included as a debtor.  |
| (iv)  | The provisions for creditors had not been made for the payables amounting to Rs.9,706,300 in respect of body building equipment obtained in the year 2017.  | The provisions should be made for payable expenditure.  | Action will be taken to pay in the current year after receiving money from the Provincial Council.  |
| (v)   | The stores goods valued at Rs. 22,595,256 which were not physically existed had included in the stores stock account.   | The physical stock balance should be valued at the end of the year and should be shown in the accounts. | It was noted to submit an accurate stock adjustment report with the final account in future.  |
| (vi)  | Action had not been taken to eliminate the cost of goods which sales value amounting to Rs.214,142 disposed in the year under review from the accounts.   | The purchase price of the goods should be identified and should eliminate from accounts.                | After receiving approval for the assessment carrying out at present action will be taken to eliminate the value of the goods auctioned which could not be identified. |
| (vii) | The loss incurred due to the fire arised to the archives building situated within the Sabha premises on 25 March 2015 had been assessed as Rs.2,117,441. Nevertheless if was not disclosed in the financial statements. | All information should be disclosed.  | Accepted, that it was not shown in the financial statements. Action will be taken to recover the loss in future.  |

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|--------|--|--|--|
| (viii) | The provisions of Rs.790,000 had been made for creditors in respect of 03 works abandoned.   | The accounts should be corrected.  | It was cancelled due to the requirement of the total carpeting as a broaden project on the instructions of the Hon.Chairman in considering the requests of the Public. |
| (ix)   | A sum of Rs.125,597 recoverable as at 31 December 2018 in respect of collection of waste daily from the trade stalls and business places had not been brought to account as debtors. | According to the accounting concepts, the recoverable money should be brought to account as debtors. | Action will be taken to provide these information in next year.  |

**(b) Contingent Liabilities**  
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**Audit Observation**  
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Nine lawsuits valued at Rs.11,000,000 instituted against the Sabha by external parties had not been disclosed in the financial statements as a note.

**Recommendation**  
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Contingent liabilities should be disclosed in the financial statements.

**Comments of the Accounting Officer**  
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Action will be taken to include those information in future.

**(c) Unreconciled Accounts**  
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**Audit Observation**  
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The differences of Rs.14,254,205 were observed between the balances according to the financial statements and the balances according to the registers in 03 items of accounts.

**Recommendation**  
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Action should be taken to reconcile and correct the differences relating to the balances.

**Comments of the Accounting Officer**  
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Action will be taken to rectify by journal entries in preparing final accounts of 2019.

**(d) Accounts Receivable and Payable**

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**Accounts Receivable**  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- As not receiving the new assessment amount of Rs.900,000 made in the year 2013 for the portion of land in extent of 01 acre 02 roods and 10 perches entrusted to an annual lease rent of Rs.300,000 to the Meegoda Economic Centre Trust Board, the arrears of lease rent and fines receivable for the years 2014, 2015, 2016, 2017 and 2018 amounted to Rs.69,300,000.	----- Action should be taken to recover the receivable balances.	----- Even though it was informed the Economic Center Trust to pay said arrears from time to time, the payments had been evaded by pointing out an issue on the ownership of the land. As such the Finance committee had decided to obtain the approval of the Subject Minister to institute lawsuits on breach of agreement.

**(e) Lack of written Evidence for Audit**

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**Non - Submission of Information**  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Due to non - submission of evidence in respect of 05 items of accounts valued at Rs.522,066,918 those could not be satisfactorily vouched / verified in audit.	----- The evidence to confirm the balances of accounts shown in the financial statements should be furnished.	----- Action will be taken to find and send in future.

## 1.4 Non-compliances

### 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 Act on Local Authorities No 48 of 1971.	The rates and taxes in the Homagama Zone had been recovered based on an assessment made before 8 years.	Action should be taken in terms of the Circular.	Two assessments zones had been implemented in the authoritative area of the Homagama Pradeshiya Sabha. and a new assessment in Wetara Zone has been implemented from the year 2018. The last assessment was carried out in the year 2011 in the Homagama zone and the approval of the Minister had been obtained for a new assessment on 16.06.2017. After that it was informed to the Department to the Department of valuation in several instances to carry out the valuation.
b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 371(5)	The advances amounting to Rs.42,600 had not been settled.	Action should be taken in terms of the Financial Regulations.	Actions will be taken to settle the advances issued before 31 December of the Financial year of the advances issued.

(ii) Financial Regulations 571	Action had not been taken on deposits older than 02 years amounting to Rs.41,123,817	Action should be taken in terms of the Financial Regulations	The deposits money of the Wethara sub office in the years 2014 2015 and 2016 were not taken into revenue upto now. Action will be taken to take into revenue of those deposits money which not refunded in the year 2019
c) Circular and Letters.			
(i) Circular of Urban Development Authority letter No Dec/01 dated 20 March 1985	Twenty five per cent of service charges recovered for exceeding the limit of ground scale and unauthorized constructions had not been sent to Urban Development Authority.	Action should be taken in terms of the Circular.	As the prior approval of the Chairman/ Director of the Urban Development Authority is being obtained in the instance of obtaining for an identical project in respect of a common purpose action is being taken to obtain other amounts except that 25 per cent of that amount.
(ii) The planning Circular No. 15 of the Urban Development Authority dated 18 November 1993.	Required action had not been taken to deploy the money amounting to Rs.22,035,964 remained in the account of Urban Development Authority for an identified project.	Action should be taken in terms of the Circular.	It is intended to use that money to construct the Homagama Bandaranayaka main library building. The activities of plans and designs of the building are being carried out at present and later on the approval will be obtained.
(iii) Circular No LGD/05/11	An agreement had not been entered into with	Action should be taken in terms of the	The draft agreements referred by the

VOL V of  
Western  
Provincial  
Commissioner  
of Local  
Government  
dated 14  
August 2012

Sri Jayawardenapura  
Kotte Municipal Council  
to obtain fire brigade  
services.

Circular.

Sri Jayawardanepura  
Kotte Municipal  
Council in respect of  
the fire brigade  
assistance had been  
referred to the Finance  
and Policy preparation  
Committee on 08  
October 2018 but the  
approval of the Sabha  
for condition 7 of the  
said agreement had not  
been received. It was  
informed to that  
institution by a letter  
dated 12 November  
2018 that can be agreed  
to obtain the service  
subject to revise the  
said condition but a  
reply was not received  
so far. As such action  
had not be taken to  
contract with them.

(iv) Circular No  
WP/LGD/01/2  
012 of Western  
Provincial  
Commissioner  
of Local  
Government  
dated 11 July  
2012. Sections  
(vi), (vii) and  
(viii)

Action had not been  
taken to obtain  
recommendation of the  
field officers and to  
approve 16 building  
plans applications in  
terms of the Circular in  
the year under review.

Action should be  
taken in terms of the  
Circular.

Sixteen applications  
which were not  
submitted for the field  
inspections had been  
allocated for relevant  
areas and referred to the  
technical officers and it  
was informed them to  
refer to the planning  
committee After the  
field inspections 04  
applications only had  
been referred to the  
planning committee.

(v) Circular  
No.LGD/13/  
2016 the  
Western

Even though the  
assessment of trade stall  
rent should be made  
once in 3 years, action

Action should be  
taken in terms of the  
Circular.

The assessment of all  
other trade stalls except  
Kahatuduwa Trading  
Complex had been

Provincial  
Commissioner  
of Local  
Government  
dated 09  
November  
2016.

had not been taken so on  
in respect of trade stalls  
belonging to the  
Wathara sub - office.

given by the  
Department of  
Valuation.

## 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 2018 amounted to Rs.134,926,783 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.122,213,348.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

Information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the previous year appears below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	74,087,800	83,423,094	64,896,543	38,465,793	53,926,700	71,670,580	76,151,369	29,688,575
(ii) Lease Rent	11,366,700	17,320,143	6,438,464	269,202	12,618,791	11,502,847	11,861,422	393,302
(iii) Licence Fees	4,100,900	5,269,316	2,849,483	-	6,000,900	4,906,274	5,000,928	-
(iv) Other Revenue	152,741,000	172,537,005	281,429,139	103,570,628	381,735,026	244,922,680	376,228,139	162,665,062
<b>Total</b>	<b>242,296,400</b>	<b>278,549,558</b>	<b>355,613,629</b>	<b>142,305,623</b>	<b>454,281,417</b>	<b>333,002,381</b>	<b>469,241,858</b>	<b>192,746,939</b>

#### 2.2.2 Rates and Taxes

##### Audit Observation

The balance of arrears of rates and taxes as at 31 December 2018

##### Recommendation

The arrears of rates and taxes

##### Comments of the Accounting Officer

The warrants had been issued to recover arrears of taxes at



had included the balances of Rs.4,919,071, Rs.19,591,903, Rs.7,996,289 and Rs.5,890,068 existed less than 01 year, between 01 and 03 years, between 03 years and 05 years and over 05 years respectively.

recoverable to the Sabha should be recovered immediately.

present. In addition to that, about 06 mobile services had been held within the authoritative area of the Wethara office. Eight mobile Services due to be conducted in future. In addition to that a house to house programme to collect rates is being carried out in the Homagama office.

**2.2.3 Courts Fines and Stamp Fees**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>The Court fines and stamp fees receivable as at 31 December 2018 amounted to Rs.87,388,796 and Rs.16,181,832 respectively.</p>	<p>Prompt action should be taken to recover receivable revenue.</p>	<p>The respective schedules for a sum of Rs,566,421,400 had been prepared from the year 2015 to 2017 and referred to the Provincial Department of Revenue. A sum of Rs.470,000,000 had been received as advances of stamp fees for the above period. Out of that advances a sum of Rs.62,064,110 had been settled by the Provincial Department of Revenue. All stamp fees up to the year 2014 had been recovered.</p>

**2.2.4 Fees for Environmental Protection Licenses**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>The new environmental protection licenses had not been given for 15 enterprises in the year under review and a revenue thereon amounting to Rs.60,000 had been deprived by the Sabha.</p>	<p>Action should be taken to examine physically and to give environment protection licenses.</p>	<p>Spot examination for 05 enterprises had been referred to the technical officer and action was taken to obtain the report immediately. An enterprise had been referred to the P.H.I for examination. The letters had been sent to obtain required details not furnished of 08 enterprises</p>

Providing of environment protection licenses of 02 enterprises had been rejected by Technical progress review Committee.

**3. Operating Review**  
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**3.1 Performance**  
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The matters revealed in respect of execution of activities that should be executed under Section 3 of the Predeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and well being of the people are given below.

**(a) Abandoned Activities**  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) The work of the Walpita “Wing field Garden” 4 <sup>th</sup> Lane road had been abandoned for over a period of 01 year without completion after laying metal and sand	The road facilities should be provided for the community of the authoritative area.	Walpita - Wingfield Garden 4 <sup>th</sup> lane- this road with slopes was dilapidated and difficult to walk and as such the road was repaired by laying metal by an external party to ease for walk. But the provisions had not been made by the Predeshiya Sabha or another institution to repair this road by the time. Further the estimates could not be prepared thereon, and a file also had not been opened thereon. As such no payment had been made from any source.
(ii) A work which estimated Value amounting to Rs.260,000 planned to implement during the year under review had been abandoned without being implemented.	Attention should be paid in respect of limited factors such as finance physical and labour resources in preparing plans.	It was cancelled due to instruction of the Chairman considering the Public requests on the requirement to carpet entirely for a broaden project.

**(b) Sustainable Development Goals**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Even though, the Sabha had aware the 2030 Agenda in respect of Sustainable Development Goals, that had not been implemented during the year under review.	Action should be taken according to the 2030 Agenda.	Replies not furnished.

**3.2 Human Resources Management**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Vacancies of Employees ----- Four vacancies in the secondary level and 14 vacancies in the primary level had existed in the staff of the Sabha as at 31 December 2018.	The vacancies of staff should be filled immediately.	<ul style="list-style-type: none"><li>• It was informed to the Department of Local Government (WP) by quarterly reports to fill 04 vacancies existed in the secondary level at present.</li><li>• Six vacancies in primary level had been filled at present. The suitable applicants had not applied for other vacancies and as such applications will be called again.</li></ul>
(b) Staff Loans ----- Action had not been taken to recover the staff loans amounting to Rs.2,431,265 recoverable from 36 employees who retired. vacated of posts and transferred out.	Should be recovered from debtors and sureties immediately.	Action was taken to recover a balance recoverable amounting to Rs.2,431,265

### 3.3 Assets Management

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#### 3.3.1 Assets not Recorded

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The title deeds for 18 land blocks belonging to the Sabha were misplaced.	Title deeds for all lands should be available.	Action will be taken to obtain title deeds in future.

#### 3.3.2 Not ensured the Security of Assets

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) A boundary fence around the land on which situated the Jabugasmulla Ayurvedic dispensary had not been erected. The neighbours had made constructions and cultivations in the land and a boundary fence had been erected by them as possible to claiming for those portions.	Action should be taken to confirm the security of the lands belonging to the Sabha.	Action will be taken to survey the land by a surveyor to confirm accurately and to erect the boundary fence.
(b) The security fence had not been erected in the common amenities land "Sanda Vimana" of Meda Hena watta belonging to the Sabha and an unauthorized building is being constructed very close to the boundary.	Action should be taken to confirm the security of the lands belonging to the Sabha.	It was informed to remove the unauthorized constructions and to get approvals for the building constructed within 14 days. The estimates had been prepared to erect a security fence around the common land, and the survey report was called on 03 May 2018 to survey the land.
(c) The land named "20 acre Sahana Uyana (20 perches)	Action should be taken to confirm the	The relevant documents in respect of the lands will be

received as a common amenities for the Sabha and the common land in front of Galawila Watta Upali Institute had been possessed by private parties and the Sabha had not taken any action in this regard.

security of the lands belonging to the Sabha.

examined and further actions will be taken.

### 3.3.3 Idle and Under-utilized Assets

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A motor grader and a generator totalling Rs.6,020,250 and 03 assets of which the value could not be traced had remained idle / underutilized.	The maximum benefit should be obtained from the resources or a suitable action to be taken to remove	Action will be taken to auction and remove the motor grader and the generator and to fix water tanks and name boards in identified places and to dispose other assets.
(b) The Pitipane new two storied library building constructed by incurring an expenditure amounting to Rs.3,248,058 in the year 2011 had remained under-utilized without being used for any purpose.	The maximum benefit should be obtained from the resources.	A body building center/ library / a sewa Piyasa will be established in Future.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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Audit Observation	Recommendation	Comments of the Accounting Officer
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The entire provisions totaling Rs.3,895,616 made for 134 Objects had been saved. Even though a sum of Rs.	The budget should be utilized as an effective instrument of control.	The provisions had been saved in the Objects due to not incurred expected expenditure during the year. The provision

13,007,429 had been allocated for 54 Objects, over 50 per cent out of that had not been spent. That amount had been Rs.9,635,589

was allocated due to expecting the expenditure but not executed and as such the provisions were saved.

**4.2 Internal Audit**

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**Audit Observation**

**Recommendation**

**Comments of the Accounting Officer**

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An adequate internal audit had not been carried out for the year 2018.

An internal audit should be carried out.

Replies not furnished.