

Homagama Pradeshiya Sabha

Colobmo District

1. Financial Statements

1:1 Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 31 March 2011 and the financial statements for the preceding year had been presented on 31 March 2010.

1:2 Opinion

In view of the comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Homagama Pradeshiya Sabha for the year ended 31 December 2010 presented for audit.

1:3 Comments on Financial Statements

1:3:1 Accounting Deficiencies

The accounting deficiencies observed in the accounts in terms of expenditure and assets are given under the number of instances and values in the following table.

<u>Effect on the Accounts</u>					
		<u>Expenditure</u>		<u>Assets</u>	
		Number of Instances	Value	Number of Instances	Value
		-----	-----	-----	-----
			Rs.'000		Rs.'000
(a)	Omissions in the Accounts	--	--	01	5
(b)	Others	02	829	01	6

1:3:2 Unreconciled Control Accounts

The balances of Control Accounts relating to 14 items of accounts totalled Rs.191,620,685 whereas according to the subsidiary registers the balances of those accounts totalled Rs.136,765,825.

1:3:3 Unsettled Accounts

Balances of accounts amounting to Rs.15,424,519 had been brought forward over a number of years and the officers responsible had not paid attention for the settlement.

1:3:4 Lack of Evidence for Audit

Non-submission of Information

Transactions totalling Rs.284,295,920 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1:3:5 Non-compliances

Non-compliance with the following laws, rules, regulations and management decisions were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 757(2)(a)

Even though an Annual Board of Survey

should be conducted and copies of the reports should be furnished to the Auditor General, a Board of Survey in respect of the year 2010 had not been conducted even by 18 July 2011.

(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka

Chapter xxiv Sections 4.4, 4.5 and 4.6

Action had not been taken for the recovery of irrecoverable loan balances amounting to Rs.1,931,387 from the principal debtors or the sureties or the heirs.

2. Financial and Operating Review

2:1 Financial Result

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2010 amounted to Rs.45,553,595 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.46,933,533.

2:2 Financial Control

The following financial control deficiencies were observed.

- (a) Even though 14 cheques of the General Account valued at Rs.250,537 and one cheque of the Provincial Council Account valued at Rs.47,845 issued had remained without being presented for payment for more than 06 months by the end of the year under review, action thereon in terms of Financial Regulation 396 had not been taken.

- (b) Direct credits amounting to Rs.1,388 debited to the General Account had not been identified and brought to account.
- (c) Action had not been taken for recovery of money for 03 dishonoured cheques totalling Rs. 1,875 and the officers responsible failed to produce information relating to a dishonoured cheque for Rs.725.

2:3 Assets Control

The ownership of the Sabha Office and Sub-Office premises and lands, Pre-schools, libraries and the Ayurvedic Dispensaries had not been secured and capitalized.

2:4 Revenue Administration

2:4:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year presented by the Chairman is given below.

Item of Revenue	Estimated	2010		Cumulative Arrears as at 31 December	2009		Cumulative Arrears as at 31 December
		Actual	Estimated		Actual	Estimated	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	23,392	9,712	40,356	11,154	6,495	20,612	
(ii) Lease Rents	3,544	1,861	1,382	3,479	1,980	798	
(iii) Licence Fees	2,367	1,972	894	2,076	1,886	893	
(iv) Other Revenue	91,538	50,288	40,127	101,409	147,814	--	

It was observed that the figures presented did not reconcile with the accounts.

2:4:2 Advertising Hording Charges

Action had not been taken for the recovery of sums totalling Rs.45,000 on 04 advertising hoardings exhibited in the area of authority of the Sabha.

2:4:3 Recovery of Trade Stall Rents

Action in terms of the agreement had not been taken for the recovery of a sum of Rs.35,590 recoverable as at 31 December 2010 on the lease of the trade stalls of the Wednesday and Sunday fair in the Homagama Town.

2:4:4 Licence Fees

According to the conditions published in the Ordinary Gazette No. 1631 dated 04 December 2009, the licence fees should be recovered action had not been taken for the recovery of arrears of licence fees amounting to Rs.80,750 due as at 31 December 2010 from 96 tea rooms, hotels, fruit stalls and vegetable stalls in the area of authority of the Homagama Pradeshiya Sabha.

2:5 Expenditure Structure

The budgeted and the actual expenditure of the Sabha for the year under review and the preceding year together with the variance are given below.

Item of Expenditure	2010			2009		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<u>Recurrent Expenditure</u>						
Personal Emoluments	45,811	43,101	2,710	43,308	41,198	2,110
Others	66,288	97,684	(31,396)	59,304	93,421	(34,117)

Sub-total	112,099	140,785	(28,686)	102,612	134,619	(32,007)
Capital Expenditure	78,756	87,859	(9,103)	83,432	110,700	(27,268)
Grand Total	190,855	228,644	(37,789)	186,044	245,319	(59,275)

2:6 Budgetary Control

Significant adverse variances were observed between the budgeted revenue / expenditure and as such it was observed that the budget had not been made use of as an effective instrument management control.

2:7 Human Resources Management

Approved and Actual Cadre

Information on the approved and the actual cadre of the Sabha as at 31 December 2010 is given below.

<u>Grades of Employees</u>	<u>Approved</u>	<u>Actual</u>
Staff Grade	05	04
Secondary Grade	47	42
Primary Grade	160	78

2:8 Assets Management

2:8:1 Account Receivable

The value of Accounts Receivable as at 31 December 2010 amounted to Rs.139,277,519 and an age analysis thereon was not furnished.

2:8:2 Staff Loans Recoverable

The balances of distress, festival, special and property loan balances recoverable as at 31 December 2010 from employees transferred out, retired and deceased totalled Rs.2,146,154.

2:8:3 Assets not Surveyed

The value of assets not supported by the Reports of Boards of Survey as at 31 December 2010 and computed at the book valued amounted to Rs.118,310,622.

2:9 Operating Inefficiencies

2:9:1 Common Amenities

- (a) The survey plans relating to 03 common amenities lands had not been included in the files.
- (b) A block of land of 19 perches in extent from the Kekunagahalanda had been transferred to the Pradeshiya Sabha by the seller for common amenities through the deed No. 1947/7354 dated 10 January 1997. A physical inspection of the land carried out on 25 February 2011 revealed that the land was covered with scrub and a fence had not been erected around the land while a name board indicating the ownerships by the Sabha had not been installed.

2:9:2 Stores Control

A physical inspection of the Homagama Ayurvedic Dispensary carried out on 21 February 2011 revealed that drugs valued at Rs.3,795 had been outdated.

2:9:3 Library Control

The Sabha had not taken a formal course of action for the recovery of 958 books valued at Rs.143,815 borrowed but not returned by 574 members of the Homagama and Wetara libraries over several past years or for the recovery of the value of books.

2:10 Internal Audit

An adequate internal audit of the institution had not been carried out.

03. Systems and Controls

Special attention is drawn to the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Stores Control