

Homagama Pradeshiya Sabha - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Homagama Pradeshiya Sabha for the year ended 31 December 2024 comprising the Statement of assets and liabilities as at 31 December 2024, Statement of Comprehensive Income, Statement of changes in Net Assets/Equity, Cash Flow Statement for the year then ended and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and sub-section 10(1) of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Homagama Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities.

1.2 Basis for Qualified Opinion

I expressed qualified opinion regarding the financial statements on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards for Local Authorities, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha ;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

1.6 Audit Observations on the preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The total depreciation expense for the year was under-accounted by Rs.404,010 due to under- and over-accounting of depreciation in relation to assets.	That it has been corrected and included in the fixed assets registers.	Annual depreciation should be calculated correctly.
(b) The balance of the discount given in respect of the rates taxes received for the coming year, amounting to Rs.2,627,240, had not been disclosed in the financial statements.	The discounts allowed are not disclosed in the financial statements as they are not an expense in the current year.	Steps should be taken to correctly account for the discounts allowed.
(c) During the year under review, a total of Rs.40,105,238 was spent on 18 capital projects and was accounted for as recurring expenditure.	That it has been accounted for as recurring expenses in the year 2024.	Efforts should be made to accurately account for expenses.
(d) During the year under review, the total amount of decentralized and provincial council assistance received for 13 capital projects was Rs.23,870,047 and was accounted for as transfers from the government for recurrent expenditure.	That it has been accounted for as recurring expenses in the year 2024.	Grant receipts should be accurately accounted
(e) The stock balance of Rs.4,228,544 which was not physically present was included in the general warehouse stock balance of Rs.13,546,185, and therefore the stock balance is overstated by Rs.4,228,544 in the financial statements for the year under review.	The survey report has shown that the physical balance is low.	The stock value should be accurately reflected in the financial statements after checking the balance that was not physically present.

1.6.2 Unreconciled Control Accounts or Records

	Audit Observation	Comments of the Sabha	Recommendation
(a)	Although the balance of the deposit to be repaid in the financial statements was Rs.95,798,821, the balance in the ledger was Rs.92,437,771, a difference of Rs.3,368,050.	Refundable deposits are being checked.	Changes should be identified and corrected.
(b)	Although the financial statements showed a balance of Rs.34,596,677 as receivables from employees, the ledger balance was Rs.34,589,677, a difference of Rs.7,000.	According to the staff loan schedule, the balance is Rs.34,596,677.	Changes should be identified and corrected.

1.6.2 Unauthorized Transactions

	Audit Observation	Comments of the Sabha	Recommendation
	The rent of Rs.6,000,000 and the fine of Rs.183,000,000, which had been incorrectly billed for the Meegoda Economic Center, totaling Rs.189,000,000, had been cut off from the income of the year by obtaining only the approval of the Management Committee without the correction of the agreements and the approval of the Governor.	This billing was corrected through a document amendment as the lessee did not agree to the rental assessment.	Proper approval should be obtained and removed from the accounts.

1.6.3 Non - Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions etc as follows.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Sabha	Recommendation
(a)	Section 3 and Section 128 of the Cemeteries and Burial Grounds Ordinance in terms of Section 127 of the Pradeshiya Sabha Act No. 15 of 1987	Actions had not been taken to determine the delimitation of 38 cemeteries located within the council area, transfer them to the council, and gazette them.	Letters have been sent to take over all cemeteries that have been gazetted as government lands.	The takeover process should be expedited.

(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 571	Action had not been taken in accordance with the financial regulations regarding the public industrial deposits of Rs.44,147,784 existing since 2014.	That the deposits relating to the previous period will be included in income in accordance with the financial regulations.	should take steps to take in income.
(c)	Public Administration Circular No. 30/2016	Fuel combustion tests had not been conducted on 38 vehicles owned by the council.	Fuel combustion tests will be conducted on those vehicles in the future.	Fuel combustion should be checked as per the circular.
(d)	Procurement Guidelines 5:3:1(a)	Although a suitable model of standard bidding documents approved by the National Procurement Agency should be used with minimal changes to address specific issues arising in contracts, such standard documents had not been used for the expenditure of Rs.6,823,834 in relation to the construction of the Jalthara Crematorium.	Procurement activities are carried out using standard documents as specified in the Procurement Guidelines.	Procurement activities should be carried out in accordance with the Procurement Guidelines.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs.336,681,651 as compared with the excess of revenue over expenditure amounted to Rs.373,112,282 in the preceding year.

2.2 Revenue Administration

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

According to the information submitted by the Secretary of the Sabha, information related to the estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and for the previous year are mentioned below.

2024					2023			
Source of Revenue	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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes (i)	219,170	224,589	204,404	154,555	228,802	178,254	176,900	123,024
(ii) Rent	20,105	18,237	17,940	2,400	18,969	19,435	18,522	(9)
(iii) License fee	7,063	4,483	4,231	277	5,791	4,746	4,838	25
(iv) Other Revenue	637,569	659,072	930,399	573,928	632,929	843,660	973,413	620,966
Total	883,907	906,381	1,156,974	731,160	886,491	1,046,095	1,173,673	744,006

2.2.2 Performance in Revenue Collection

Audit Observation	Comments of the Sabha	Recommendation
(a) As at 31 December 2024, the council had not collected Rs.154,456,203 of the receivable of rates.	That efforts are being made to minimize the arrears.	Steps should be taken to recover arrears of rates promptly.
(b) The amount of court fines that should have been received from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review had not been calculated and accounted for, and the amount of stamp duty receivable was Rs.478,232,148.	The amount of stamp duty receivable of Rs.478,232,148 is only an estimate, and the actual billing can be found after preparing the stamp duty schedules at the end of the year.	Action should be taken to recover the revenue due promptly.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) During the year under review, a tender was awarded to a private firm on 25 November 2024 to install a transformer for the installation of an electrical system within the council premises at a cost of Rs.2,242,000. Although this project was to be completed within a period of two months, it had not been completed by 25 April 2025. Furthermore, the performance guarantee of Rs.112,100 for 02 months	A letter has been sent requesting the immediate completion of the project and an extension of the performance guarantee period as it has expired.	Work should be done to complete the project as soon as possible.

had not been extended. Due to this delay, there was a risk of the cables and other accessories provided by the Electricity Board being misplaced.

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| <p>(b) As at 31 December 2024, the total balances of mixed creditors, warehouse creditors, general industry creditors and provincial council creditors were Rs.114,762,400 and no action had been taken to settle them.</p> | <p>That work is underway to resolve the matter.</p> | <p>Creditor balances should be paid and settled.</p> |
| <p>(c) The balance of general advances of Rs.6,136,853 as at 01 January 2024 had not been settled during the year. Of this, the Council did not have specific information regarding the total of Rs.6,099,044.</p> | <p>The matters are stated under 12 of the Accounting Policies and Notes for the year 2024 in the final account.</p> | <p>Balances for which specific information is not available should be promptly identified and steps should be taken to recover the advances.</p> |

3.2 Operational Inefficiencies

Audit Observation	Comments of the Sabha	Recommendation
(a) The assessment revenue in the year 2024 had decreased due to the fact that no rates assessment was carried out in the Wethara Sub-Office area after the year 2018.	Requests have been made to the Valuation Department at 23 February 2023.	A new assessment should be carried out and steps should be taken to increase the rates Revenue.
(b) Although the value of the lands owned by the Council had been revalued to Rs.1,619,617,792 during the year under review, the said work had not been carried out by a qualified independent assessor.	The revaluation was carried out by the Assets Management Committee appointed by the Pradeshiya Sabha.	Land valuation should be carried out by a qualified independent assessor.

3.3 Assets Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The land on which the Meegoda Economic Center is located had been leased to the Ministry of Rural Economy for 33 years since 2003 through a lease agreement. Although this property had been declared as property owned by the council, the legal ownership of it had not been taken over by the council even as at March 2025.	Letters have been sent to the Land Titles Settlement Department to obtain the title certificate for the land where the Meegoda Special Economic Center is located.	Action should be taken to obtain legal ownership of this property.
(b) There were 41 stadiums whose ownership had not been transferred to the council.	Some playgrounds are playgrounds on public facility lands.	Should be taken to obtain legal ownership of these playgrounds.
(c) A tractor that had been handed over to the Homagama Pradeshiya Sabha by the National Housing Development Authority at 09 April 2008 had not been taken over by the council by the end of the year under review.	The necessary steps are being taken to take over.	Take overs should be carried out promptly.
(d) Steps had not been taken to take over the ownership of 09 lands owned by the Homagama Pradeshiya Sabha and 620 roads as per the road inventory.	It is reported that steps have been taken to prepare deeds for 11 lands and that road surveying and gazetting activities are being carried out.	Take over should be carried out promptly.

3.4 Procurement Management

Audit Observation	Comments of the Sabha	Recommendation
(a) The council had incurred a loss of Rs.1,432,000 due to the purchase of 9000 bulbs for Rs.17,226,000 from a company that did not call quotation, when it was possible to purchase bulbs for a lower price of Rs.1768 with a quality certificate and a 03-year warranty period from the company that had offered the third lowest price.	It was decided to grant approval to purchase from that institution, as the 18 percent increase in the price of all LED bulbs billed from 01 of January 2024, is a common factor affecting the 18 percent increase in prices across all institutions.	Procurement guidelines should be followed.

(b) Although the company that had offered the lowest price for 1kg of Aluminum Binding Wire and had given a warranty period of 05 years had been rejected due to non-submission of samples, the council had not made any attempt to obtain samples. Later, due to the purchase of 170 kg of wire at a higher price, the council had incurred a loss of Rs.357,000.	That the prices of the other institution that submitted prices and samples were recommended.	Procurement guidelines should be followed.
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3.5 Defects in Contract Administration

Audit Observation	Comments of the Sabha	Recommendation
Although the contract for the construction of the Jalthara Crematorium was awarded in 2019, the recommendation of the Central Environmental Authority had not been received for it. Under the first phase, a contract was signed for an amount of Rs.4,000,000, and Rs.3,460,271 was paid upon completion of the work. Under the second phase, on 28 December 2020, an agreement was signed to complete the work within 06 months for a sum of Rs.16,817,777 and an advance payment of Rs.3,363,555 had been paid for it. However, the contractor had withdrawn from the construction work without completing the work to the extent covered by the advance payment and the performance security had also expired on 10 May 2024. As a result, it was revealed that the half-completed crematorium had Being caught in the sun and rain, weed are made. and was being used for anti-social activities.	Payment reports will be prepared according to the amount of work currently completed and steps will be taken to settle the advance payment.	Construction should be completed promptly.

3.6 Human Resources Management

Audit Observation	Comments of the Sabha	Recommendation
Steps had not been taken to recover the disaster and festival loan amounting to Rs.1,095,068 due from 07 persons who had died, retired, left the service, were interdicted and were transferred.	Action is being taken to recover the balance of staff loans due to 31 December 2024.	Action should be taken to recover staff loans.

3.7 Management of Vehicle fleet

Audit Observation	Comments of the Sabha	Recommendation
Although the vehicle survey conducted for the year ending 31 December 2023 regarding owned by sabha 61 vehicles and machinery attached to the Wetara Sub-office owned by the Council had recommended that 03 tractors, 04 trailers, a road crusher and a motor grader be repaired and reused or, if not possible, disposed of, such action had not been taken by the end of the year under review.	Work is being carried out with the assistance of a mechanical engineer from the Colombo Municipal Council to dispose the council's vehicles.	Any dispose or repairs should be carried out and put back into running promptly.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Sabha	Recommendation
(a) The total provisions for 66 expenditure items, amounting to Rs.16,558,500, were completely remain.	Accepted.	The budget document should be used as an effective control tool.
(b) Although Rs.27,080,200 was allocated for 39 expenditure items, more than 75 percent of it was not spent and that amount was Rs.23,216,852.	Accepted.	The budget document should be used as an effective control tool.

4.2 Environmental Problems

Audit Observation

The council spends about Rs.51 million per year on disposing of biodegradable and non-biodegradable waste to arbage yards, and due to the suspension of non-biodegradable waste transportation for several days in December 2024, the waste was dozered at an additional cost of Rs.1,260,000. However, attention had not been paid to generating additional income by producing compost and selling the fertilizer instead of transporting the decomposing waste to another yard.

Comments of the Sabha

Since there was no suitable land within the sabha area of authority to construct a compost yard, efforts were made to minimize the costs incurred for transporting biodegradable waste by providing compostable waste free of charge to the compost yard maintained at the Homagama warehouse. However, this has now been stopped due to the protests of the residents. Therefore, a project is underway to provide biodegradable waste to the Karadiyana garbage yard again and to select one area and route and provide compost bins to that area on a subsidized basis.

Recommendation

Efforts should be made to generate income by recycling biodegradable waste.