

Minuwangoda Pradeshiya Sabha
Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 13 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 September 2013.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Minuwangoda Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a.) The electric lift valued at Rs.2,158,538 which had not been capitalized during the preceding year had been capitalized twice during the year under review by Journal Entry No.02 and 03. Therefore, land and buildings account and the accumulated fund had been overstated by a similar amount.
- (b.) The value of 02 tractors purchased during the year under review amounting to Rs.2,578,000 had not been capitalized.
- (c.) The three wheeler received as a donation during the year 2011 had not been assessed and brought to account.
- (d.) Although the consultancy service expenses amounting to Rs.505,197 in respect of the construction of the new office building was non-reimbursable; it had been brought to account as Government aid receivable.

- (e.) Withdrawal of fixed deposits amounting to Rs.54,150,606 had been debited to the accumulated fund and credited to capital aid received and therefore, a surplus had been shown in the income and expenditure account.
- (f.) A provision for debtors had not been made in respect of 10% retention money amounting to Rs.10,910,826 of 112 projects under One Work for One Village Programme.
- (g.) The balance of the savings account at the Bank of Ceylon as at 31 December 2012 amounted to Rs.15,850,576 and it had been shown in the accounts as Rs.15,391,082.
- (h.) A cheque to the value of Rs.2,500,000 had been written on 24 December 2012 for opening a current account at the Peoples Bank and this amount had been shown in the accounts as investments.
- (i.) Fixed deposits amounting to Rs.30,000,000 at the Peoples Bank had been matured on 01 January 2013 and the interest amounting to Rs.1,121,918 receivable for the year 2012 had been added to the fixed deposits and shown as investments.
- (j.) Although the interest on fixed deposits for the year amounted to Rs.5,163,736 it had been taken into accounts as Rs.6,065,372. Accordingly, interest income on fixed deposits had been overstated by Rs.901,636.
- (k.) Interest on fixed deposits amounting to Rs.2,003,515 due for the preceding year had been received during the year under review; but it had not been adjusted to the interest in arrears account.
- (l.) Interest in arrears as at 31 December 2012 amounted to Rs.1,443,822 and it had been taken into accounts as Rs.2,749,788 and as such the said account had been overstated by Rs.1,305,966.
- (m.) A sum of Rs.857,144 spent on improvements to the land and buildings had been debited to the pensions, pension benefits and gratuity account and therefore the said account had been overstated by a similar amount. A sum of Rs.593,144 of the above related to the preceding year and as such it had been removed from the land and buildings account and adjusted to the accumulated fund. Therefore, land and

buildings improvement account had been understated by Rs.1,450,288 and the accumulated fund had been understated by Rs.593,144.

- (n.) Although the tax amounting to Rs.1,139,439 set-off should be deducted from the output tax of the Value Added Tax account, it had not been deducted as such and therefore, the said account had been overstated by a similar amount.

1.3.2 Unreconciled Control Accounts

The total of the balances of 02 items of accounts amounted to Rs.317,281,795 as per accounts and according to the schedules, the total of the balances amounted to Rs.307,638,446. As such, a difference of Rs.9,643,349 was observed.

1.3.3 Lack of Evidence for Audit

Transactions totaling Rs.33,256,184 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.65,848,894 as compared with the excess of revenue over recurrent expenditure amounting to Rs.19,506,754 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	20,987	22,511	8,437
(ii.) Lease Rent	2,237	1,876	526
(iii.) Other Revenue	1,610	815	1,363

2.2.2 Rates ad Taxes

The total of the balances of rates and taxes in arrears at the Mabodala, Udugampoala and Miniwangoda Sub-offices as at 31 December 2012 amounted to Rs.8,350,944 and it included balances amounting to Rs.5,051,847 outstanding for over 01 to 05 years.

2.2.3 Other Revenue

- (a.) The balances of lease rent in arrears at the Udugampola Sub-office since year 2004 amounted to Rs.52,376 and the stall rent outstanding since 2007 and 2008 amounted to Rs.42,550.
- (b.) According to Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government the stall rent should be assessed at least once in 05 years. But, action had not been taken accordingly, on stalls.

2.3 Uneconomic Transactions

Money in the current account at the Bank of Ceylon from the beginning to the end of the year under review amounted to Rs.10 million to Rs.66 million and there were Rs.4 million to 15 million in the savings account at the Bank of Ceylon. Action had not been taken to invest these money in fixed deposits or 07 day deposits so as to earn a higher income.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Internal Audit
- (c.) Control over Contracts
- (d.) Revenue Administration