

Minuwangoda Urban Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented on 13 March 2013 and the financial statements for the preceding year had been presented on 02 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 24 October 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Minuwangoda Urban Council had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Minuwangoda Urban Council as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

The following deficiencies were observed.

- (a) Stamp revenue received during the year under review amounted to Rs.4,025,035. But, it had been brought to account as Rs.7,415,720 .
- (b) The loan of Rs. 6,100,000 received from the office of the Commissioner of Provincial Revenue for purchase of a cab, had been brought to account as revenue.

- (c) Expenditure amounting to Rs. 15,494,383 payable in respect of 06 items for the year under review had not been brought to account as accrued expenses.
- (d) Value Added Tax amounting to Rs. 429,439 receivable (That can be set – off) during the year under review had been brought to account as investments of the Council .
- (e) An expenditure of Rs. 740,325 incurred for the repairs to the Double Cab during the year under review had been debited to the accumulated fund , instead of being accounted as expenditure .
- (f) Creditors amounting to Rs.5,961,474 carried forward in respect of 10 works since a long period had been shown in the accounts as creditors despite that the works already completed Further, a sum of Rs. 179,335 in respect of 04 works completed during the preceding year had been shown in the accounts as creditors.
- (g) A cum of Rs.1,731,864 spent for the reconstruction of Manamina Lane, Minuwangoda and concreting Pedric Lane had been omitted from the accounts.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs. 40,303,896 could not be satisfactorily vouched in audit due to the non – submission of required information to audit .

1.3.3 Unreconciled Control Accounts

The total of balances relating to 12 items of accounts shown in the financial statements amounted to Rs.66,110,157 as per control accounts , whilst the total of the balances as per subsidiary registers / records amounted to Rs. 44,737,719.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2012 amounted to Rs.12,712,358 as compared with the excess of revenue over recurrent expenditure amounting to Rs.6,018,257 for the preceding year.

2.2 Financial Control

Although sub imprests should be settled immediate after the relevant task is completed, payments in advance as at end of the year included a sum of Rs. 8,426,564 which had not been settled as above.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs. '000	Rs.'000	Rs.'000
(i) Rates and Taxes	7,783	8,551	7,442
(ii) Lease Rent	9,495	11,196	1,410
(iii) Licence Fees	477	855	01
(iv) Other Revenue	6,177	13,202	4,661

It is the duty of the Secretary to take all action to recover the charges and other payments due to the Council in terms of Section 170 A (2) of the Urban Council Ordinance (Chapter 255) and to credit them to the Council funds. Nevertheless, effective action had not been taken to recover rates amounting to Rs.7,441,584, other revenue amounting to

Rs.6,071,927 stall rent amounting to Rs.5,512,557 and house rent amounting to Rs. 396,945 due as at end of the year under review.

2.4 Transactions Not Supported by Adequate Authority

According to the Circular No. LGD /95/4/ dated 09 March 1995 of the Commissioner of Local Government – Western Province, the approval of the Commissioner of Local Government – Western Province , the approval of the Commissioner of Local Government should be obtained to withdraw fixed deposits However, fixed deposits amounting to Rs. 6,000,000 had been withdrawn on 27 July 2012 without the approval of the Commissioner of Local Government .

2.5 Solid Waste Management

The Commissioner of Local Government (Western Province) by his letter No.LGD/05/08/පොදු /වෙළුම dated 21 December 2010 had informed that all the Local Authorities should implement the Solid Waste Management Rules No.01 – 2008 published in the Gazette No.1560/6 dated 30 July 2008. But , the Council had not implemented those rules. Revenue on this had not been estimated for the year under review and an expenditure of Rs. 10,797,000 had been estimated.

2.6 Operating Inefficiencies

The following matters were observed.

- (a) An action plan had not been prepared for the year under review.
- (b) Although a sum of Rs.1,500,000 had been estimated for the development of roads less than 20 K.M. belongs to the council , it had not been implemented .
- (c) None of the programmes had been carried out in respect of Local Government Week planned to conduct island wide from 15 to 25 october 2012.

- (d) A corporate plan for a period not less than 05 years had not been prepared in order to achieve the vision and the mission of the Council in terms of Paragraph 05 of the Treasury Circular No.PED/12 dated 02 June 2003.

2.7 Internal Audit

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

3. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary Control
- (d) Solid Waste Management