

**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 to audit on 02 March 2012 and the financial statements for the preceding year had been presented on 21 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Council on 13 December 2012.

**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 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, 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 2011 and the financial results of its operations and cash flow statements for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

- (a) Accrued expenses amounting to Rs. 840,407 relating to the year under review had not been brought to account.
- (b) Payment of loan installments of the National Savings Bank and the Peoples Bank amounting to Rs. 200,000 during the year under review had been accounted under Expenditure Head 34461 instead of being accounted under Expenditure Head 52533.

**1.3.2 Unreconciled Control Accounts**  
-----

The total of the balances of 06 items of accounts was Rs. 16,811,489 as shown in the financial statements whereas the total of the balances as per respective subsidiary registers and records amounted to Rs. 8,742,244

**1.3.3 Lack of Evidence for Audit**  
-----

Transactions totaling Rs. 28,909,466 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 2011 amounted to Rs.6,018,257 as against the excess of recurrent expenditure over revenue amounting to Rs. 4,825,192 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 given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	7,501	8,535	6,027
(ii) Lease Rent	8,699	7,925	1,717
(iii) Licence Fees	534	825	103
(iv) Other Revenue	11,551	5,972	4,661

### **2.2.2 Recovery of Rates in Arrears**

-----  
Warrants had not been issued for rates in arrears after 30 September 2010.

- (a) Commission payments amounting to Rs. 83,949 had been made to the Distraining Officers for the year 2011 although warrants had not been issued for recovery of rates in arrears.
- (b) According to the Circular No. CD/2/3/v dated 13 October 1975 of the Commissioner of Local Government, the entire amount of rates due should be recovered by the Distraining Officers at the field as stated in the warrant in order to obtain commission. But contravening the above requirement, commission had been paid only for recovery of part of the arrears.

### **2.3 Accounts Receivable**

-----  
The balance of advance payments receivable as at 31 December 2011 amounted to Rs. 4,955,235

### **3. Systems and Controls**

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

- (a) Accounting
- (b) Revenue Administration.
- (c) Budgetary Control