

**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 for audit on 02 March 2016 and the financial statements for the preceding year had been presented on 04 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 01 June 2016.

**1.2. Qualified Opinion**

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the 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 2015 and the financial result of its operations for the year then ended.

**1.3. Comments on Financial Statements**

**Accounting Deficiencies**

The following observations are made.

- (a) The ownership of the tractor valued at Rs.500,000 received by the Council during the year 2007, had not been vested with the Council, whilst the value had not been capitalised.
- (b) The stock in hand according to the financial statements of the year under review, had been overstated by Rs.929,711 in comparison to the stock according to the books and records.
- (c) The value of 03 projects amounting to Rs.928,719, for which the agreements had not been entered into during the year under review, had been accrued as at 31 December 2015.

**1.3.1. Lack of Evidence for Audit**

**(a) Non-submission of Information to the Audit**

Transactions totalling to Rs.1,201,418 with relevant to 05 items of accounts could not be vouched satisfactorily during the audit, due to non-submission of registers and schedules, to the audit.

**(b) Un-reconciled Control Accounts**

According to the financial statements, the balance of the sundry creditors account as at 31 December 2015 was Rs.6,902,137, whilst the balance in the schedule had been Rs.6,622,946. Therefore a difference of Rs.279,191 was observed.

**(c) Accounts Receivable**

Though the value of dishonoured cheques since 1994 amounted to Rs.30,590; action had not been taken to recover them.

**1.3.2. Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following instances of non-compliance were observed during the audit.

- (a) The rates and taxes amounting to Rs.7,833,832; the licence fees amounting to Rs.12,550; stall rent amounting to Rs.664,235; and meat stall rent amounting to Rs.363,333; had been recoverable as at end of the year under review. Action had not been taken in accordance with the Section 170 (A) (2) of Urban Council Ordinance (Chapter 255), to recover these amounts even as at 12 April 2016.

(b) The paragraph 05 of Public Financial Circular No. 364 (3) dated 30 September 2002 stipulates that, when Value Added Taxes of over Rs.25,000 is paid by an institution, a report regarding the value added taxes paid, should be sent to the Commissioner General of Inland Revenue with a copy to the Auditor General. But details of Value Added Taxes amounting to Rs.290,567, during the period from January to December 2015, had not been sent to the Commissioner General of Inland Revenue.

## **2. Financial 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 2015 amounted to Rs.17,834,428 as compared with the excess of revenue over recurrent expenditure amounting Rs.361,500 for the preceding year.

### **2.2. Revenue Administration**

#### **2.2.1. Estimated Revenue, Actual Revenue and Revenue in Arrears**

The information submitted with respect to the Estimated Revenue, Actual Revenue and Revenue in Arrears relevant to the year under review are indicated below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Cumulative Arrears as at 31 December</b>
	<b>Rs.000,</b>	<b>Rs.000,</b>	<b>Rs.000,</b>
Rates and Taxes,	9,710	9,884	10,206
Lease Rent	17,978	18,281	1,215
Licence Fees	1,237	1,094	47
Other Revenue	11,756	37,886	1,627

#### **2.2.2. Rates and Taxes**

In comparison to the preceding year, the balances of rates and taxes in arrears during the year under review had been increased by Rs.650,000.

#### **2.2.3. Other Revenue**

- (i) The other revenue in arrears amounting to Rs.4.7 million had been written-off against the accumulated fund during the year under review.
- (ii) In comparison to the estimated value, the other revenue during the year under review had been increased by Rs.26 million.

#### **2.2.4 Stall Rent**

Since the payments in advances in respect of 02 trade stalls in the Freedom Park (*Sanasa*) building owned by the Urban Council had not been paid, the Council had deprived of a payment in advance amounting to Rs.880,304 relevant to the 02 trade stalls. Though these trade stalls should be re-offered through tenders, this had not been carried out even as at 18 April 2016.

### **2.3 Surcharges**

The surcharges were imposed by me against the persons responsible, in accordance with the Section 182 (1) of Urban Council Ordinance (Chapter 255), and the surcharges recoverable as at 31 December 2015 amounted to Rs.19,946.

### **2.4 Transactions not Supported by Adequate Authority**

The other revenue and advances (payments in advance) recoverable by the Council amounting to Rs.8,460,725; the work deposits and house rent deposits amounting to Rs.1,323,004; the employees loans of deceased employees amounting to Rs.23,402; had been written-off from the accumulated fund, without the approval of the Commissioner of Local Government and without the identification of the items separately.

## **3. Operating Review**

### **3.1. Operating / Management Inefficiencies**

According to the fixed assets register, a land comprising an area of 01 Rude and 6.25 Perches is situated at No.19, Negombo road, Bulugahakumbura and one part of this land is utilised for a pump-house, whilst an unauthorised person is occupying a part of the remaining area of the land for a long period of time. The Council had not taken action even as at the date of the audit which was carried out on 29 March 2016, to remove the unauthorised occupants and re-vest the occupied area in accordance with the Re-vesting of the provisions of the Re-vesting of the State Lands Act No.07 of 1979.

### **3.2. Solid-Waste Management**

#### **(a) Contravening the Provincial Council Rules**

The "Solid-Waste Management Rules" No. 01 of 2008, had been published in the Gazette Notification No.1560/6 dated 30 July 2008 and the Commissioner of Local Government (Western Province) letter No. LGD/05/08/General/Volume dated 21 December 2010, stipulates that all local authorities should implement the said Rules. But while implementation of those rules, the Urban Council had not adhered to the Rule No. 18(1), 19, 20, 21(1), 22, 54 and 59.

#### **(b) Non-recovering of Fees**

The Council had not taken action during the year under review to identify any locations which are liable for the taxes on waste. Although a stores complex; desiccated coconut producing institution; 02 supermarkets; and a large number of hotels; which are liable for the trade taxes are situated within the area of the Urban Council, the Council had not promulgated Bylaws to recover the taxes on waste from those premises.

### **3.3. Prevention of Public Health Hazards**

The Public Health Hazard Prevention Statute No. 03 of 2012, published in the Gazette Notification No.1764/14 dated 27 June 2012, stipulates that action should be taken in respect of; uplifting and safety of the public health in the Western Province; prevention of diseases propagated through mosquitoes; prevention of other public health issues, and the consequence factors. But, the Urban Council had not adhered to the above mentioned Statute, while implementing the above.

## **4. Accountability and Good Governance** **Budgetary Control**

The estimated provisions under 53 expenditure heads during the year under review amounted to Rs.104,600 had remained completely unutilised.

**5. Systems and Controls**

The deficiencies observed during the audit were submitted for the attention of the Chairman from time to time and special attention is needed in respect of the following areas of systems and controls.

- a) Revenue Administration
- b) Creditors / Debtors Control
- c) Stocks Control