

**Minuwangoda Urban Council**

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**Gampaha District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 28 February 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 30 May 2019 and 21 August 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Minuwangoda Urban Council as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Deficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) The gallic bowser revenue of Rs.307,167 retained in the register of Deposits from 12 November 2018 to 31 December 2018 had not been accounted for.	Should be accounted as years' revenue.	Will be corrected by Journal entry No.02 in 2019.
(ii) The consultancy fees of Rs.217,500 payable had been adjusted in the accumulated fund and creditors Account.	Year's transaction should be correctly accounted.	This will be paid from the Accumulated Fund.
(iii) The development value of Rs.2,711,520 released to owners of land for land not acquired on 20 December 2017 by gazette notification had been shown as sundry deposits instead of revenue.	Revenue from transactions should be identified.	Will be credited revenue by Journal Entry No.3

- (iv) Investments realized on construction of libraries amounting to Rs,22,000,000 had been shown as investments Transactions should be correctly accounted. Will be shown as receivable in 2019.

**(b) Lack of Documentary Evidence for Audit**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Details of tickets had not been furnished to vouch the entertainment tax of Rs.89,400	Evidence to confirm balance should be furnished.	Instructed to update details of sundry revenue.

**1.4 Non-compliance**  
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**Non-compliance with Laws, Rules, Regulations and Management Decisions**  
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<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Non-compliance</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Letter No LGD/09/01/15 of 10 October 2016 of the Department of Local Government	Bye-laws had not been prepared for regularizing and controlling of beef sale in Local authority areas.	Bye-laws should be prepared.	Preliminary work for bye-laws are being prepared.

**2. Financial Review**  
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**2.1 Financial Results**  
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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.18,370,592 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.35,316,728.

## 2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	10,287	11,659	10,550	7,058	10,525	10,652	10,833	5,949
Rent	20,398	21,356	21,006	1,297	21,640	19,426	19,599	946
Licence Fees	620	491	491	-	532	1,137	576	05
Other Revenue	29,281	16,101	16,101	-	17,261	31,361	28,444	-

### 2.2.2 Rates and Taxes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Rates of Rs.170,453 had been written off without Grama Niladharai recommendation.	----- Recommendation of Grama Niladharai is essential.	----- Grama Niladharai recommendation will be obtained for write off from 2019.

### 2.2.3 Rent

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- (a) A case had been filed in 2016 to recover beef stall arrears of 363,333 for 2014 to 31 December 2018.	----- Steps should be taken to recover arrears.	----- Case No. 483/cash had been filed.
(b) Recovering of arrears of 21 stalls amounting to Rs.463,900 had not been made even by 08 March 2019.	Action to be taken for recovery of arrears.	Stall rent of Rs.247,350 had been recovered by 31 March 2019.

### 2.2.4 Licence Fees

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Environmental licences of Rs.56,400 had not been recovered from hotels and reception halls.	----- Action to be taken recovery of licence fees.	----- Environmental licences should be obtained for 2 reception halls. Development officer will check.

**2.2.5 Other Revenue**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Fees had not been charged from advertisement boards in the center of the town.	Fees should be charged for all.	Action is being taken to charges fees for all permanent boards.
(b) Action had not been taken to increase revenue from 08 towers by assessing rates.	Action should be taken to assess and recover rates.	Instructed to assess rates and increase revenue.
(c) Action had not been taken to enact rules to recover fees from super sales fees from super sales centers, hotels and loadings of the Urban Council area.	Action should be taken to enact rules.	Action will be taken it issue separate licences for these revenue sources in 2019.

**3. Operating Review**  
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**3.1 Performance**  
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The following matters were revealed regarding functions to be performed by the Council in terms of Section 4 of the Municipal Councils Ordinance such as, regularization and administration of public health, public utility services and public highways, health of the public, facilities and welfare etc.

**(a) Action Plan**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Ten project noted in the works section started in 2017 had been included in the Annual Action Plan. Although this had been shown in the progress report, 16 projects amounting to Rs.10,607,843 not in the annual plan had been executed showing that the action plan was not effective.	Activities should be according to the Annual Action Plan.	Decided to included in the budget to implement in 2018. But, the project was completed in 2017. The other 16 projects had been implemented after the new appointment of Sabha.

**(b) Failure to achieve Expected Outcome**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The latrine system constructed on 04 January by spending Rs.5,388,055 had not been used till 08 march 2019.	Attention to be paid fulfill expected objectives.	The contractor had handed over it on 04 January 2018. Temporarily delayed due to elections. The new Sabha wants to construct with latrine system.

**(c) Sustainable Development Targets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although it had been stated the United Nations 2030 Agenda for sustainable development objectives had been identified, all the projects had not been pursued and progress review to find out Weakness and strength and revisions made. As such, the Poverty Relief Fair had tailed.	All projects should be pursued to identify weakness and strength in order to achieve targets.	Poverty Relief Fair was held close to the Weak end fair. The traders are temporarily doing their business elsewhere as their business activities had dropped.

**3.2 Operating Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Only one person had been enjoying the benefits of the 01 rood, 35.36 perches extensive land of the Sabha for 31 years. The arrears due for 2007 to 31 December 2018 amounted to Rs.972,000 had not been recovered. The occupants had not been removed from the premises. Legal fees of Rs.127,500 had been paid during 2016 to 2018.	Annual fees of properties of the sabha and ownership and existence should be confirmed.	The lawyer of the sabha had informed cancel rent agreement and hand over properties. The extent of land will be confirmed and extent of land had widened due to road construction.

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| <p>(b) The Divisional Secretary had acquired 34 blocks of land of private owners and handed it over to the Divisional Secretary to construct bus stand, new roads and fairs. 03 blocks had been deleted in the gazette notification. One of them had been returned to the owner. The Urban council had not Surveyed and obtained the land 17 years had passed and 08 land owners had been given permanent places. Permanent places had not been given even by 05 October 2018. 08 others had filed cases for compensation. But, permanent deed been given to one owner of land.</p> | <p>Should be surveyed and obtained either compensation or suitable place should be given.</p> | <p>Land had been acquired according to the plan. Certain other land had been given for lands acquired. Blocks of land had been given without considering court cases.</p>                        |
| <p>(c) The owner of land adjoining Jumma Masjid Road of the Urban Council had encroached 3.3 perches. A boundary wall had been constructed in 2016 by spending Rs.303,419.</p>  | <p>Ownership and existence of properties should be confirmed.</p>                             | <p>The Council had decided to get back the money and land and to demolish boundary walls.</p>  |
| <p>(d) The Minuwangoda Urban Council had acquired block No.16 appearing in the survey plan No. M.P.Gam/3072 of 28 September 2000 according to the Gazatte No. 1165/19 of 04 January to a person. Therefore, title deed faces problems.</p>  | <p>Ownership and existence of properties should be confirmed.</p>                             | <p>the block had been developed after acquirement. The land had been sold to another person by the owner who rested. He had created disturbances for work and as such a case had been filed.</p> |

### 3.3 Fruitless Expenditure

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) A loan of Rs.05 million had been obtained from local loans and development Fund in 2011 to construct a week and fair. 03 buildings had been constructed by spending Rs.7,807,501. The sabha decided to demolish it in 2018 and hand it over to the Urban Development Authority. Expenditure had been incurred without plan. Rs.1,971,606, with interest, had to be paid by 2021 for the loan Of 2011 obtained from the local Development Fund.	Capital expenditure should be properly planned.	The Urban development Authority propose to build new trade complex. First stage with be completed in 2018. Only the open building has to be demolished from the building constructed from the loan of 07 million.
(b) A sum of Rs.52,500 had been spent by 30 September 2018 to obtain estimate and consultancy services for lay a statue of D.S.Senanayake in Minuwangoda Parakrama Playground. This project could not be implemented Rs.52,500 spent had become fruitless.	Capital expenditure should be properly planned.	The Elis park is proposed to be used for some other development work. Rs.52,000 had been spent to remove this. Further work is stopped due to protests.