

**Minuwangoda Urban Council**

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**Hambantota District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 28 February 2020 and the summary report of the Auditor General on the financial statements and the management report had been forwarded to the Chairman on 06 July 2020 and 18 September 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in this report, the financial statements give a true and fair view of the financial position of the Minuwangoda Urban Council as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for qualified opinion**

**1.3.1 Accounting Deficiencies**

| <b>Audit Observation</b>                                                                                                                                                                                                | <b>Recommendation</b>                                      | <b>Comments of the Accounting Officer</b>            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------|
| -----                                                                                                                                                                                                                   | -----                                                      | -----                                                |
| (a) Although the Bank of Ceylon had confirmed the balance of a fixed deposit as at 31 December 2019 amounting to Rs.1,937,408 the amount shown in the accounts was Rs.1,895,042 .                                       | Correct balances should be brought to account.             | Action had been taken to rectify by journal entries. |
| (b) Ten racks obtained as donation to keep the children's books amounting to Rs.1,056.436 had not been brought to account.                                                                                              | Receipts at stores should be correctly brought to account. | Action had been taken to rectify by journal entries. |
| (c) Six items of stores amounting to Rs.49,675 which had been entered in the previous years accounts as stock and creditors had been brought to account as receipt of stock and creditors in the year under review too. | Should be correctly brought to account.                    | Action had been taken to rectify by Journal entries. |

### 1.3.2 Unreconciled Accounts

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| <b>Audit Observation</b>                                                                                                                                                                  | <b>Recommendation</b>                                                        | <b>Comments of the Accounting Officer</b>        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------|
| The difference between the balances of 06 accounts shown in the financial statements as at 31 December 2019 and the balances appearing in the subsidiary registers amounted to Rs.531,714 | Differences between the related balances should be reconciled and rectified. | Action is being taken to rectify these balances. |

### 1.3.3 Accounts Payable

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| <b>Audit Observation</b>                                                                                                            | <b>Recommendation</b>             | <b>Comments of the Accounting Officer</b>          |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------|
| The stamp duty of Rs.28,245 collected from April 2019 to December 2019 had not been remitted to the Commissioner of Inland Revenue. | Action should be taken to settle. | Payments up to December 2019 are ready at present. |

### 1.3.4 Lack of Necessary Documentary Evidence for Audit

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| <b>Audit Observation</b>                                                                                    | <b>Recommendation</b>                                         | <b>Comments of the Accounting Officer</b> |
|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------|
| Six issue orders pertaining to the balances of stock valued at Rs.590,092 had not been furnished for audit. | Evidence to confirm balances of accounts should be furnished. | Issue orders had been furnished.          |

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the revenue over recurrent expenditure of the Council for the year ended 31 December 2019 amounted to Rs.30,511,099 as compared with the revenue over recurrent expenditure of the previous year amounting to Rs.18,370,593.

## 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 | 2019                         |                           |                              |                                                  | 2018                         |                           |                              |                                                  |
|-------------------|------------------------------|---------------------------|------------------------------|--------------------------------------------------|------------------------------|---------------------------|------------------------------|--------------------------------------------------|
|                   | Estimated Revenue<br>Rs'.000 | Revenue Billed<br>Rs'.000 | Revenue Collected<br>Rs'.000 | Total arrears<br>as at 31<br>December<br>Rs'.000 | Estimated Revenue<br>Rs'.000 | Revenue Billed<br>Rs'.000 | Revenue Collected<br>Rs'.000 | Total arrears<br>as at 31<br>December<br>Rs'.000 |
| Rates and Taxes   | 11,279                       | 11,704                    | 8,380                        | 5,895                                            | 10,287                       | 11,659                    | 10,550                       | 7,058                                            |
| Rent              | 21,993                       | 22,366                    | 22,061                       | 930                                              | 20,398                       | 21,356                    | 21,006                       | 1,297                                            |
| Licence Fees      | 800                          | 526                       | 526                          | -                                                | 620                          | 491                       | 491                          | -                                                |
| Other Revenue     | 119,025                      | 84,058                    | 119,277                      | -                                                | 29,281                       | 16,101                    | 16,101                       | -                                                |
| Total             | 153,097                      | 118,654                   | 150,244                      | 6,825                                            | 60,586                       | 499,607                   | 48,148                       | 8,355                                            |

### 2.2.2 Rent

| Audit Observation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Recommendation                                                                                                    | Comments of the Accounting Officer                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) According to the condition No.03 of the lease agreement for car park at the new week end fair 2019, the agreement should be entered into after paying the security deposit for 3 months as agreed together with the approved tax amounting to Rs.126,243. However, the agreement had been entered into by obtaining a lesser amount of Rs.54,310. Further, insurance coverage for the remaining amount for 09 months or security by pledging properties had not been obtained as per tender. | Security deposits should be obtained as per conditions.                                                           | Action will be taken to avoid such occurrence in future.                                                                                                                       |
| (b) The premises at the entrance of the Newham Road had been given on lease at the rate of Rs.15,000 per month from may to December 2019 without estimation and considering the least quotation. The lessee had constructed 10 stalls of which many had been sub let.                                                                                                                                                                                                                            | External persons should not be allowed to earn money in an irregular manner by using the properties of the Sabha. | The basis adopted as minimum quotation by the revenue inspector was Rs.400.00. However, the maximum quotation of Rs.15,000.00 (Rs.500 per day) had been decided as acceptable. |

### 2.2.3 Licence Fees

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| <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                                             | <b>Recommendation</b>                                                                    | <b>Comments of the Accounting Officer</b>                                                                                |
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| <p>-----</p> <p>A trade establishment had carried out sale of drinking water in a large scale in Minuwangoda area without a trade license obtained from the Urban Council. In order to obtain the water, tube well had been deeply drilled resulting in scarcity of drinking water in the area. The public of the area had complaint this to the Urban council. But, no action had been taken in this connection</p> | <p>-----</p> <p>Action should be taken against industries effecting the environment.</p> | <p>-----</p> <p>Trade license had not been issued. The Council had invited the party concerned to clarify the issue.</p> |

### 3. Operating Review

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#### 3.1 Performance

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The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 4 of the Urban Council Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

#### (a) Annual Performance plan

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| <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                       | <b>Recommendation</b>                                                          | <b>Comments of the Accounting Officer</b>                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>-----</p> <p>Instituting legal action against trades conducted without paying licence fees as specified in the annual performance plan, to issue distraining orders to ratepayers with arrears up to 2018, conducting awareness programmes to avoid abuse of children and matters dealing with legal protection for women in association with the Minuwangoda Police had not been done.</p> | <p>-----</p> <p>Activities included in the action plan should be fulfilled</p> | <p>-----</p> <p>The total amount had been recovered as per register of licence. Action had been taken to collect arrears through mobile services. It is not compulsory to carry out all programmes specified in the plan. As such, another programme had been conducted in this regard.</p> |

(B) Solid Waste

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The Sabha had not taken action to regularly plan and execute the Waste Management.

The Sabha Should pay attention to plan and execute the Waste Management.

This problem will be minimized as the disgradable garbage will be sent to the Divulapitiya Compost Sector from May 2020.

**3.2 Management Inefficiencies**

| <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Recommendation</b>                                                         | <b>Comments of the Accounting Officer</b>                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Of the old crematorium land belonging to the Council, 1 rood and 6.25 perches had been occupied by a woman and the Council had prepared a declaration deed in this regard in 2011. The extent of the land had been denoted as 24.59 perches in the deed. It had not been confirmed whether the remaining 21.66 perches belongs to the Council                                                                                                                                                                                                                                                                                                                                                                                          | The ownership and existence of properties of the Council should be confirmed. | The present Council had obtained the approval of the Council to evacuate the encroachers and this had been referred to the Department of Local Government, Ministry of local Government and the Governor's office. |
| (b) A portion of the land adjoining the Parakrama sports ground of the council vested with the Ceylon Electricity Board had again been acquired by the Council. While doing so it had been informed that out of the 1 rood ,8.15 perches Bulugahawatta land, 11.45 perches of the community centre will be deducted and 36.7 perches will be vested with the Electricity Board had released 1 rood and 8.15 perches of the Parakrama Sports ground by a deed. Meanwhile, the Urban Council had also released the entire 1 rood and 8.15 perches of the Bulugahayayaland by a deed. Apart from vesting 36.7 perches,11.45 perches of the remaining portion along with the community centre had also been vested with the electricity Board. | The ownership and existence of properties of the Council should be confirmed. | Shortcomings had occurred While preparing the deed by the Notary.Action will be taken to rectify.                                                                                                                  |

### 3.3 Fruitless Expenditure

| <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Recommendation</b>                                  | <b>Comments of the Accounting Officer</b>                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Loan amounting to Rs.05 million had been obtained from the Local Loans and Development fund in 2011 to construct a week fair and Rs.7,807,501 had been spent to construct 03 buildings. However, the building had been demolished for building the news trade complex. The objective of the Council was to utilize the materials obtained from the demolished building to build a car park required for the Council. However, these materials remained in the Divi neguma fair without being used beneficially even by 31 December 2019. A further sum of Rs.1,788,828 was payable during the year under review. As such, the amount spent in this connection was fruitless.</p> | <p>Capital expenditure should be properly planned.</p> | <p>This project is operated by the Urban Development Authority. And the approval of the Governor, Western Province had been obtained in this regard. The demolished portion had been used to build a portion of the car park. The rest of the work is pending.</p> |

### 3.4 Assets Management

| <b>Audit Observation</b>                                                                                                                                                                                                                                                         | <b>Recommendation</b>                                                                                                                                                      | <b>Comments of the Accounting Officer</b>                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| <p>Necessary action had not been taken regarding 4 acres of land of the Council shown in the register of assets of the Council, but not physically in existence; properties of which the extent are not known and 03 unauthorized houses at Bulugaha Kumbura Boragadawatha..</p> | <p>Inquiries should be made regarding properties of the Council which are not physically in existences and Legal action should be taken regarding unauthorized houses.</p> | <p>Instructed to rectify during board of survey 2020. Legal action is being taken regarding 03 unauthorized houses.</p> |