

**MinuwangodaPradeshiya Sabha**

**Gampaha District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 02 June 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 28 August 2020 and 21 September 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the MinuwangodaPradeshiyaSabha 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 the Qualified Opinion**

**1.3.1 Accounting Deficiencies**

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) The book value of the stock of Rs.3,125,457 had been accounted other than accounting the physical stock as the stock as at 31 December of the year under review.	The Stock should be adjusted and the physical stock should be taken to the accounts.	Inform that the stock adjustments are being done and forwarded to the audit as soon as possible.
(b) 03 Creditors balance of Rs.1,310,582 had not been taken to the accounts.	Accounts should be made accurately.	Actions would be taken to correct.
(c) The entries had not been made to write off a cab owned by the Sabha and auctioned for Rs.1,381,000.	Accounts should be made accurately.	Inform that it had been adjusted by the accounts for the year 2020.

### 1.3.2 Unreconciled Control Accounts

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
A difference of Rs.4,952,803 had been appeared between the balances of 05 items of accounts stated in the Financial Statements and their balances stated in the registers.	Actions should be taken to reconcile and correct.	Inform that it had been corrected by the accounts for the year 2020.

### 1.3.3 Payable Accounts

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) Actions had not been taken to settle a water deposit balance of Rs.80,825 and a credit balance in the advance of R.6,445 brought continuously forward for 05 years.	Actions would be taken to settle.	Actions are being taken to take the deposits to the revenue that should be taken to the revenue and actions are being taken to write off the old advance balances by the registers after investigated the documents by a committee.
(b) Actions had not been taken to settle creditors balances of Rs.5,097,898 regarding the year 2016 and 2017.	Accounts should be corrected.	Inform that it had been corrected by the accounts for the year 2020.

### 1.3.4 Lack of Necessary Documentary to Evidence for Audit

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
The registers and documents regarding the balance of the Cars and Carts Account of Rs.73,246,845 as at 31 December 2019 had not been rendered to the audit.	Details to confirm the balances of accounts in the financial statements should be furnished.	Inform that it had been sent for the Commissioner of Provincial Council to correct the accounts.

## 1.4 Non Compliances

### Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>				
i. F.R. 371(2)	784,907	An action had not been taken to settle an advance balance of Rs.784,907 brought forward from 2006 and over that.	Actions should be taken to settle.	Inform that actions would be taken to write off from the accounts after investigating the old registers by a committee appointed.
ii. F.R. 571	9,678,539	Actions had not been taken on the deposits over lapsed from 2011 to 2016 of Rs.9,678,539.	Actions should be taken to settle.	Inform that the actions are being taken to investigate the registers and take the deposits to the revenue that should be taken.
(b) Circular No2018/ e- Local Government-01 dated 19 July 2018 by the Commissioner of Provincial Council		- The facility for the citizens to forward applications and make payments through the internet had not been granted.	Actions should be taken according to the Circular.	Inform that the actions would be expected to be taken in the future.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.160,213,391 compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.129,358,930.

## 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	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Taxes	34,884	36,205	37,296	16,487	34,821	31,837	21,615	15,341
(ii) Rent	2,819	4,146	4,152	-	2,653	3,962	4,068	42
(iii) Licence Fees	1,619	1,879	1,879	-	1,800	1,844	1,858	27
(iv) Other Revenue	538	571	571	84	476	556	544	122
Total	39,860	-42,801	43,898	-16,571	-39,750	38,199	28,085	15,532

### 2.2.2 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
The rates in arrears balance as at 31 December 2019 included a balance over 5 years of Rs.2,591,492.	Actions should be taken to recover the rates in arrears.	Inform that the actions would be taken to recover the arrears and actions would be taken to forward to the Commissioner of Provincial Councils to obtain the approval to write off the balances that decided suitable to remove by the Sabha decision.

### 2.2.3 Stall Rent

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) The income had been irrecoverable because of not renting out 05 Stalls and 02 properties.	Consideration of the Management would be more focused on improving the revenue of the Sabha.	No Comments had been provided.
(b) Agreements had not been made on 04 stalls within the authority of Paththanduwana Sub Office.	Considerations of the Management would be more focused on the legal matters of the Sabha.	Inform that the actions are being taken to update the agreements of the 04 stalls belongs to Paththanduwana Sub Office.

### 3. Operating Review

#### 3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, public utility services and public thoroughfares, public comfort, convenience and welfare.

##### 3.1.1 Annual Performance Report

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The essentials relevant for the annual performance report of maintaining the Damage & Loss Register, Street Lamps Register, Roads Register and the valuation of the Property every 05 years had not been done.	The essentials relevant for the annual performance report should be completed.	The Damage & Loss register are being updated and the because of the insufficient staff actions would be taken to recruit from the project employees and start to assess the property.

#### 3.2 Management Inefficiencies

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
An agreement had been made in the year 2015 under the method of “net metering” after installing a Solar Powered Electric System of Rs.6,800,000 to the Pradeshiya Sabha Building. Therefore no amount would be paid to the Electricity Board in the daytime for the units of electricity used and a low rate of Rs.15.40 for the night time but it had not been used. A Feasibility Study had not been carried out on the future benefits and the final payment of Rs.2,040,000 without solving the issue of extra expenditure of Rs.1,100 on each Kilo Volt Ampier (KVA). This system had been installed as a solution to the huge electricity consumption within the Pradeshiya Sabha Premises but still the over expense on the electricity had being spent therefore the expected target had not been accomplished.	The Projects should be commenced after a feasibility study.	Inform that an air conditioning system is expected to install in the Head Office and huge electricity would be consumed therefore this method would be favourable and actions would be expected to be taken to carry on an investigation to find out the issue on KV and find a solution.

### 3.3 Operational Inefficiencies

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

Even though the Technical Officer (Electrical) had certified that 728 LED Street Lamps Sets of Rs.9,995,440 received to the Stores on 20 November 2019 and installed all of them on 06 December 2019 in 07 roads, that stock had been in the stores as at 17 June 2020. This stock had not been utilized even though the Guarantee Period of this stock of Electric Items had been 03 years and 07 months already lapsed.

Accurate certifications should be obtained.

The Provisions for these bulbs had been delayed fixing because of the uncertainty of receiving the Provisions for these bulbs from Ministry of City Planning, Water Supply and Higher Education and it had been guaranteed to offer the 03 years guarantee period from the date they were fixed

### 3.4 Assets Management

#### 3.4.1 Board of Survey

#### Audit Observations

#### Recommendations

#### Comments of the Accounting Officer

The Stock of Compost Bins stated in the Closing Stock had brought forward continuously of Rs.76,980 and the stock of sea sand of Rs.33,948 had not been rendered for the physical stock count.

All Assets must be submitted to the survey.

The Stock of Compost Bins had been corrected by the Journal Entry No.05 of the year 2020 and the stock of sea sand had been physically in the work yard but missed to render to the physical stock count.

#### 3.4.2 Assets Not Utilized

#### Audit Observations

#### Recommendations

#### Comments of the Accounting Officer

The stock mentioned by the water stores stock of Rs.162,995 had been brought forward continuously from 07 years and none of these items had been used from 04 years.

Purchasing should be done on the needs.

All the items except Hume Pipes had not been requested for use and the balance stock left had been Rs.162,995

### 3.5 Procurement

#### 3.5.1 Contract Administration

Audit Observations	Recommendations	Comments of the Accounting Officer
<p>(a) When inspecting the AsgiriWalpolaGilma Common Road constructed by the Provincial Development Aids of Rs.998,111, it had been surveyed when inspecting the length 253 feet, but payments had been made for 592 feet for redymix of Rs.963,583. 03 km road concreted on the way located in an auction land had been stated in written as the reason reported for the difference between the survey reports and the physical inspection. No observations had been made when investigating the estimates and the survey reports, 02 roads as concreted and the survey reports had been partitioned by a one line.</p>	<p>The estimates and the surveys should be made partially for each when concreting 02 roads.</p>	<p>02 places had been finished by laying concrete on that road therefore it had been made categorized as to find out those survey reports and corrected. The same road had been planned to concrete when estimating but another road had been concreted.</p>
<p>(b) It had been estimated to lay Redymix of 37.83sq.m to concrete the road towards Mr.Prasanna's House in Wathumulla Paddy Mill Road under the provisions of the Gamperaliya Rural Program of Rs.766,274.But according to the Redymix Invoice it had been received only 32.25sq.m and according to the payment reports it had been paid on 32.75sq.m. Therefore it had been over paid rs.81,180 on 5.5sq.m on 23 January 2019.</p>	<p>Payments should be made on receipts.</p>	<p>The reports on 10.5sq.m had been attached to the received reports.</p>
<p>(c) It had been estimated to repair the first cross road by spending Rs.484,819 in Hendimahara Pasal Patumaga by laying Redymix of 31.10sq.m under the Gamperaliya Development Program. According to the Redmix Reports it had been received 31sq.m. and Reports regarding 5sq.m. had not been rendered. Therefore it had been paid Rs.60,000 on Redymix not received.</p>	<p>The accurate reports of receivables should be rendered.</p>	<p>It could be able to assume that the reports regarding 05sq.m. of concrete had not been received or reports had been misplaced in the construction site.</p>