

## **Minuwangoda Pradeshiya Sabha**

### **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 13 March 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 04 January 2013.

##### **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 Pradeshiya Sabha 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 forwarded 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 Pradeshiya Sabha 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**

The following matters were observed.

- a. A sum of Rs.2,158,538 paid on a letter of credit during the year under review for installment of an electric lift to the new building of the Sabha had not been brought to account as fixed assets.
- b. Although the loan balance of the Local Loans and Development Fund as at end of the year under review was Rs.19,377,186, only a sum of Rs.13,653,123 had been shown in the accounts.

- c. According to the Issue Orders, the value of materials/equipment issued from the stores during the year was Rs.32,983,636. But, only a sum of Rs.28,610,934 had been brought to account.
- d. The creditor's balance of Rs.4,376,225 written-off during the preceding year had been written-off again during the year under review too. Therefore, the balance of the stores creditors had been understated by a similar amount.

### **1.3.2 Lack of Evidence for Audit**

Transactions totalling Rs.161,245,366 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

### **1.3.3 Unreconciled Control Accounts**

The total of the balances relating to 02 items of accounts was Rs.1,347,419 as per control accounts whilst the total of the balances as per ledger accounts was Rs.1,248,889. Accordingly a difference of Rs.98,530 was observed.

### **1.3.4 Accounts Receivable**

The balance of the unsettled advances as at end of the year amounted to Rs.7,502,111 and the total of the balances for over one year amounted to Rs.1,486,615. Most of these advances had been given for road construction contracts.

### **1.3.5 Employees Loans Recoverable**

The total of the employees loans recoverable as at 31 December 2011 amounted to Rs.7,986,578 and the total of the balances outstanding for over 03 years amounted to Rs.16,586.

## **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.19,506,754 as compared with the excess of revenue over recurrent expenditure amounting to Rs.28,608,424 for the preceding year.

### **2.2 Revenue Administration**

#### **a. Rates Outstanding**

The balance of rates in arrears as at end of the year under review amounted to Rs.9,780,586 and of this, the value of balances exceeding Rs.5,000 per one unit of rates amounted to Rs.1,955,525.

#### **b. Water Charges Outstanding**

The water charges outstanding as at end of the year under review amounted to Rs.335,546 and of this, a sum of Rs.104,007 had been due from 15 units from which the dues exceed Rs.5,000.

### **2.3 Internal Audit**

An adequate internal audit had not been carried out in the institution.

## **3. Systems and Controls**

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

- a. Accounting
- b. Revenue Administration
- c. Control Over Contracts
- d. Assets Management