

# **Minuwangoda Pradeshiya Sabhawa**

## **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 31 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review was issued to the Secretary of the Sabha on 27 July 2016.

#### **1.2 Qualified Opinion**

In my opinion except for the effect of the matters referred to in Paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Minuwangoda Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.3 Comments on Financial Statements**

##### **1.3.1 Accounting Deficiencies**

The following deficiencies were observed.

- (a) The sum of Rs.1,059,409 paid as loan installments of the year under review in respect of the cab provided by the Provincial Council on loan basis had not been capitalized.
- (b) According to the water charges registers maintained by the Minuwangoda and Udugampola Sub-offices, water charges received for the year under review amounted to Rs.356,975. However, according to the financial statements the receipts amounted to Rs.365,875. Therefore, a sum of Rs.8,900 had been overstated in the accounts.
- (c) A total sum of Rs.739,770 is paid as loan installment under 1<sup>st</sup> loan project of the Asian Development Bank and this had been paid twice during the year 2013. While correcting this error in year 2015, this had not been treated as an expenditure for the year under review.

- (d) Interest amounting to Rs.476,664 for 04 months on the 2 loan of the Asian Development Bank had been debited to Supplies and Equipment (others) Account, without debiting to the interest account.
- (e) 20% advance of Rs.3,750,667 given to complete the works had been debited to Debtors Account instead of debiting the Payments in Advance Account.

### **1.3.2 Accounts Receivable and Payable**

The following matters were observed.

- (a) Advances receivable as at end of the year under review amounted to Rs.1,143,183 and a sum of Rs.910,450 of the above remained unsettled for over 05 years. Action had not been taken to identify and get settled this amount.
- (b) The debtor balance of Rs.12,405,308 in respect of works already completed in year 2014 had not been recovered from the Ministry of Economic Development even by 31 December 2015. This represents more than 15% of the total debtor balance.
- (c) Value Added Tax amounting to Rs.1,194,194 which should be remitted to the Commissioner General of Inland Revenue had been shown in the accounts since year 2012 without being settled.

### **1.3.3 Lack of Evidence for Audit**

Two items of accounts totaling Rs.75,025,657 could not be satisfactorily vouched in audit due to the non-availability of documentary evidence.

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

Non-compliance with following laws, rules, regulations and management decisions were observed.

- (a) According to Section 24 of the Pradeshiya Sabha Act No.15 of 1987, the rural roads belong to the Pradeshiya Sabha should be vested with and should be published through Gazette Notification. However, action had not been taken to vested with the rural roads of the Pradeshiya Sabha after 1993.
- (b) Excesses and shortages under each item of account had not been reconciled with the budgeted financial provisions and supplymentries and a statement explaining the variances as at 31 December of the relevant year had not been prepared in terms of Section 193 of the Pradeshiya Sabha Act No.15 of 1987.

- (c) The Chairmen had not taken action to get verify all the lands and buildings owned by the Sabha through a Board of Survey each year in terms of Section 218 of the Pradeshiya Sabha Act No.15 of 1987.
- (d) According to Widows and Orphans Pension Act No.24 of 1983, every employee join the Public Service since 1983 should contribute to the Widows and Orphans Pension Fund. The Sabha should send monthly contributions after obtaining a Number for each employee. However, contributions amounting to Rs.2,523,842 had been remitted to the Department of Pensions without obtaining Numbers for 51 employees.

## **2. Financial 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 2015 amounted to Rs.3,234,068 as compared with the excess of revenue over recurrent expenditure amounting to Rs.18,673,995 for the preceding year.

### **2.2 Revenue Administration**

#### **2.2.1 Estimates Revenue, Actual Revenue and Revenue in Arrears**

Information regarding the estimated revenue, actual revenue and revenue in arrears for the year under review as presented by the Secretary is shown below.

Source of Revenue	Estimated	Actual	Total Arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
(i) Rates and Warrant Charges	20,077	22,098	10,510
(ii) Lease Rent	3,084	3,433	107
(iii) Licence Fees	1,735	1,710	-
(iv) Other Revenue	9,211	10,265	158
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Total	34,107	37,506	10,775
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#### **2.2.2 Rates and Taxes**

Rates and taxes amounting to Rs.7,419,414 had been recoverable as at 30 June 2016.

#### **2.2.3 Industries and Business Tax**

There is an increase of starting industries and businesses within the area of the Pradeshiya Sabha; but, revenue had not been increased relatively. The No of Units in year 2013 was

1696 and this had been decreased gradually during the following years. Action had not been taken to identify the units by carrying out spot checks.

#### **2.2.4 Stall Rent**

- (a) Although it had been decided according to the judgment given in year 2009 to recover the sum of Rs.32,376 in respect of stall rent in arrears since 2005 in Udugampola area, the Sabha had failed to recover this amount yet.
- (b) Action had not been taken to repair and rent out 08 stalls of the upper floor of the Udugampola Trade Complex since 09 December 2012.

#### **2.2.5 Revenue from Transmission Towers**

The following matters were observed.

- (a) Adequate action had not been taken to identify the transmission towers installed within the area of the Sabha and recover charges in terms of Gazette Extraordinary No.1597/8 dated 17 April 2009.
- (b) Fourteen transmission towers installed within the area of the Udugampola Sub-office had been identified and charges had not been recovered for 09 towers. Although 11 towers had been identified within the area of the Udugampola Sub-office, only a small charge of Rs.1,000 for each tower had been recovered.
- (c) A sum of Rs.187,858 had been in arrears as at 31 December 2015 for the previous years in respect of 06 transmission towers within the area of Paththaduwan Sub-office.

#### **2.2.6 Revenue from Weekly Fair**

Tenders had not been called for in order to rent out the Udugampola weekly fair after 2009.

#### **2.2.7 Other Revenue**

Water charges in arrears amounting to Rs.20,495 relating to the period 2014 – 2015 had not been recovered from 04 water consumers of the Batapotha Water Scheme.

### **3. Operating Review**

#### **3.1 Management Inefficiencies**

The following matters were observed.

- (a) The balance of deposits for over 05 years amounting to Rs.15,982,946 from 1988 to 2010 had not been taken to revenue up to 20 October 2015. Court Fines amounting to Rs.69,800 for over 05 years had been retained in the deposits register without being taken to revenue.
- (b) Nineteen out of the plots of land vested with the Sabha from the lands auctioned within the area of the Sabha are not suitable for the purpose of community activities.
- (c) The balance of unsettled advances for over 05 years amounted to Rs.920,450.
- (d) The average of monthly balances of two bank current accounts of the Sabha during the year under review amounted to Rs.28,051,209. The Sabha had deprived of interest revenue that could have been earned by investing this excess money in terms deposits.
- (e) Five thousand Meters of white cloth had been purchased for Full Moon Poya Day Programmes scheduled for 15 March 2014 and 23 May 2014 and of this, 2540 Meters had been distributed on 02 December 2014 and the balance of 2,460 Meters valued at Rs.492,000 had been retained in the stores even as at 10 May 2016 without being distributed during the year under review.

### **3.2 Approval of the Plans of Sub division of Lands**

A sample check of revenue received on approvals given by the Sabha for sub-division of lands revealed the following matters.

- (a) Title deeds for 04 plots of land to the extent of 01 Rood 111.61 perches allocated for Public facilities had not been received by the Sabha even as at 20 November 2015; the date of audit examination.
- (b) The Sabha had charged 01% of the value of the land for giving approval for sub-division plans. Five plots of land of which the land value amounted to Rs.47,551,700 had been assessed on the assessment made by the Revenue Inspector, without taking into consideration the auction value of the land.

### **3.3 Agriculture, Science and Technology Workshop – Israel**

Advances amounting to Rs.5,118,876 had been paid to 21 members for participating the above workshop held from 05 March 2015 to 13 March 2015.

The Secretary of the Sabha had reasoned out that the knowledge, experience and the understanding gained through this tour can be used for developing the services of the Sabha, but, the Sabha had been dissolved on 15 May 2015 after 60 days of the completion of this foreign tour. Therefore, it was observed in audit that the expenditure of Rs.4,875,120 incurred for this tour had become a fruitless expenditure. Details of services rendered to the Public of the area by these members after this tour had not been made available to audit.

### **3.4 Delay of Projects**

An estimate to the value of Rs.8,655,000 had been approved through supplementary estimates of the Western Provincial Council for the year 2013, for the construction of the crematorium at Kotugoda. A sum of Rs.1,360,967 of this and a sum of Rs.7,294,032 respectively had been received by the Pradeshiya Sabha on 20 January 2014 and 28 January 2015. This contract had been awarded for Rs.6,804,838 as per the agreement dated 12 November 2013 and a sum of Rs.7,621,419 had been shown as creditors for the year under review. However, the approval of the Provincial Treasury had not been obtained in the year 2015 to retain this money which had been received in year 2014.

### **3.5 Solid Waste Management**

A sum of Rs.8,096,292 had been spent during the year under review in respect of disposal of waste from January to October 2015. The area of the Pradeshiya Sabha consists of 127.57 Squire Kilo Meters and 115 Grama Seva Division. 10 – 12 Tons of waste per day is collected within the area of the Sabha and of this 6 Tons of waste per day is disposed of 4-5 Tons of this are degradable waste and 01 Ton is non- degradable waste. The above degradable waste is disposed to 02 pits excavated by the Pradeshiya Sabha in few private lands. An environment licence issued by the Environmental Authority had not been obtained for the above.

### **3.6 Budgetary Control**

The entire provision of Rs.57,286,300 estimated under 62 Items of Expenditure for the year under review had not been utilized and therefore, the budget had not been made use of an effective tool of control.

### **3.7 Performance**

The following matters were observed.

- (a) The Pradeshiya Sabha had not prepared a Corporate Plan covering the year under review.
- (b) Seventy one activities which should be achieved according to the Annual Action Plan for the year under review had not been achieved as at end of the year 2015.
- (c) Eight project proposals estimated at Rs.20,900,000 for the year 2014 as per the Four year Plan had not been implemented even as at end of the year 2015.

### **5. Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Internal Audit
- (d) Revenue Administration
- (e) Assets Management