

Minuwangoda Urban Council

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 28 February 2018 and the report of the Auditor General on the financial statements had been forwarded to the Secretary on 25 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Minuwangoda Urban Council give a true and fair view of the financial position as at 31 December 2017 and its financial performance 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 accounting deficiencies were observed.

- (a) A tractor of the Sabha had been sold for Rs.155,555 on 23 May 2013. However, the cost of this vehicle amounting to Rs. 215,500 had not been deleted from the Motor Vehicles and Carts Account.
- (b) According to the register of fixed assets, the value of one of the 03 three wheelers of the Sabha had not been brought to account.
- (c) According to the register of fixed assets, a tractor and a trailer valued at Rs.2,000,000 obtained as donation from the Western Provincial Solid Waste Material Management Authority had not been brought to account.
- (d) Books valued at Rs.77,695 received as donation for the library of the Urban Council as at 31 December 2017 had not been brought to account.
- (e) Although a cheque valued at Rs17,145 had been deposited, it had been dishonoured on 31 December 2017. But, entries had not been made in the accounts accordingly.

- (f) The revenue billed for licence fees of the year under review included other revenue of Rs.564,130. As such, the revenue billed for licence fees had been overstated and the other revenue had been understated.

1.3.2 Unreconciled Accounts

The difference between 02 accounts of creditors and the related schedules as at 31 December 2017 amounted to Rs.676,127.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.35,316,728 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.24,044,315.

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.

Item of Revenue	2017				2016			
	Estimated Revenue Rs.000'	Revenue Billed Rs.000'	Revenue Collected Rs.000'	Total arrears as at 31 December Rs.000'	Estimated Revenue Rs.000'	Revenue Billed Rs.000'	Revenue Collected Rs.000'	Total arrears as at 31 December Rs.000'
Rates and Taxes	10,525	10,652	10,833	5,949	9,855	10,145	11,607	8,262
Rent	21,640	19,426	19,599	946	20,345	20,784	21,076	1,175
Licence Fees	532	1,137	576	05	1,152	1,118	1,154	11
Other Revenue	17,261	31,361	28,444	-	12,530	21,852	19,652	-

2.2.2 Rates and Taxes

(a) Rates

- (i) Out of the arrears of rates and taxes as at 01 January 2017, a sum of Rs. 5,715,899 representing 69 percent had been recovered showing a low level of progress in recoveries.
- (ii) Institutions and persons with arrears of rates over Rs.5,000 were 246. The arrears had become Rs.3,441,312 by 31 December 2017. Action had not been taken in terms of Section 170(1) of the Urban Councils Ordinance to recover these arrears.
- (iii) Twenty two units of rates had been closed and as such the rates of Rs.170,806 of the year under review had been written off. While making a decision to close those units, the recommendations of the relevant Grama Niladharis had not been obtained.

2.2.3 Licence Fees

Trade Licences

Nine institutions had not obtained licenses for 2017 due to closure of their business institutions. However, the recommendations of Grama Niladharis had not been obtained.

3. Operating Review

3.1 Management Inefficiencies

- (a) A cheque valued at Rs.164,000 had been issued to the State Trading Miscellaneous Corporation Limited on 29 December 2017 for purchase of 02 air conditioners. This had not been issued up to 23 March 2018 and continued to be shown as unrepresented cheques in the bank reconciliations up to February 2018.
- (b) Two hundred week end fair aprons said to have been obtained free of charge during the opening ceremony of the Divi Neguma Week End fair remained at the stores without being recorded.

3.2 Procurement

3.2.1 Contract Administration

- (a) An agreement had been entered in to on 14 September 2016 for Rs.5,297,571 to construct a latrine system at Hadirama Junction with the expectation of completing the work in 02

months. An agreement had again been signed on 14 August 2017 for Rs.494,756 for additional work, to be completed in 02 months. Accordingly, the total value of the contract amounted to Rs.5,792,327 and Rs.4,993,299 had been paid on 09 October 2017 treating that the entire work had been completed. The value of work done as at that date amounted to Rs.4,467,849 whereas Rs.4,993,299 had been paid resulting in an overpayment of Rs.525,450. But, this contract had not been completed even by 13 December 2017 and the demurrages due on the first agreement as at that date amounted to Rs.476,781 whereas Rs.211,903 only had been recovered. Further, the demurrages of Rs.9,895 due on the second agreement had not been recovered.

- (b) An agreement had been entered into for Rs.3,175,322 on 23 June 2016 for constructing an assembly hall and the work was estimated to be completed in 06 months. In spite of this, an agreement had been entered into with the above contractor for Rs.1,187,949 on 11 April 2017 for additional work, to be completed in 03 months for which the recommendations of the engineer had not been obtained. The entire contract had been completed on 27 July 2017 and the demurrages of Rs.104,163 had not been recovered up to 28 February 2018.
- (c) The estimate for the project fencing the borders of the Wegowwe Crematorium in order to regularise it amounted to Rs.459,050. The agreement entered into for the minimum quotations amounted to Rs.447,000. The actual expenditure incurred amounted to Rs.449,975 and as such an extra payment of Rs.52,975 had been made for extra work and that had contravened Section 8.13.3 of the Procurement Procedures.

4. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Secretary from time to time. Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
(a) Assets Control	Fixed assets not being brought to account.
(b) Execution of Projects	Weakness in estimations.