

Bingiriyaya Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1. Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 25 August 2015.

1.2. Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Bingiriya Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3. Comments on Financial Statements

1.3.1. Accounting Deficiencies

Following accounting deficiencies are observed.

- (a) Salary Reimbursements Receivable amounting to Rs. 1,938,896 for the month of December of the year under review had not been identified and accounted as Debtors. Due to that revenue for the year and Revenue Debtors had been understated to that extent.
- (b) Although a sum of Rs. 12,120,837 had been provided as provision for Creditors through journal entry 86, a sum of Rs. 500,000 provided during the year 2013 as Creditors for development of burial grounds roads too had been included therein. Due to that expenditure for the year and Expense Creditors had been overstated by s. 500,000.
- (c) Although the Accumulated Fund should be credited having debited relevant values to the Creditors Account in writing-off 73 old Creditors balances amounting to Rs. 5,361,520 through journal entry No. 83, it had been debited to the expenditure

account for the year having credited the Accumulated Fund. Due to that expenditure for the year had been overstated in a sum of Rs. 5,361,520.

- (d) When writing off Work Creditors value of Rs. 7,480,000 existed at the beginning of the year under review, it had been shown as Rs. 8,830,000 in the relevant journal No. 82 and due to that, Creditors as at the end of the year under review had been understated in a sum of Rs. 1,350,000.
- (e) When accounting for Debtors Receivable amounting to Rs. 6,911,522 for 07 Works existed at the end of the year under review, it had been debited to Capital Grant Receipts and credited to the Work Debtors Account through the journal entry No. 87. Due to that, Revenue for the year and Debtors had been understated in a sum of Rs. 13,823,044.
- (f) A sum of Rs. 250,000 received during January 2014 for Work Debtors existed as at 31 December 2013 had been shown as Revenue for the year. Due to that, Revenue for the year and Debtors had been overstated to that extent.
- (g) Although the installment payable for the Local Government Pension Fund relevant to the year under review was Rs. 142,005, it had been accounted as Rs. 202,007 in the Revenue and Expenditure Account, overstating the expenditure for the year in a sum of Rs. 60,002. Although the balance of the Pension Fund Account according to the certificate of balance was Rs. 3,643,914 as at the end of the year under review, it had been shown as Rs. Rs. 3,705,340 in the account. Due to that Creditors had been overstated in a sum of Rs. 61,426.
- (h) Value of the tractor and the trailer amounting to Rs.1,739,200 received as donations during the year 2013 had not been accounted causing understatement of Fixed Assets to that extent.
- (i) When canceling the cheque for Rs. 380,880 written for repairs and maintenance of Capital Assets (304) in February 2014, it had been credited to Revenue Account (3/34) in March 2014 without crediting it to the relevant item of expenditure. Due to that, Revenue and expenditure for the year had been overstated to that extent.

1.3.2. Non-reconciled Control Accounts

Non-reconciliations in a sum of Rs. 12,832,769 were observed between the accounts and relevant registers relating to 04 items of accounts under final balances of the year under review.

1.3.3. Suspense Accounts

While the debits total of accounts in the nature of suspense as at 31 December 2014 amounted to Rs.2,774,954, according to the Revised Balance Sheet submitted, that balance had been Rs.1,486,985.

1.3.4. Accounts Receivable and Payable

(a) Receivable Accounts

- (i.) Value of Receivable Accounts as at 31 December 2014 was Rs. 27,558,557. Out of that, balances amounting to Rs. 1,614,964 were being brought forward over a period of more than 03 years.
- (ii.) A Suspense Account balance of Rs. 2,774,954 and a balance of Court Fines and Stamp Fees amounting to Rs. 20,927,847 too were included in the Revenue Debtors amounting to Rs. 28,583,262, remained as Accounts Receivable.

(b.) Payable Accounts

- (i.) Value of Payable Accounts as at 31 December 2014 was Rs. 31,881,302. Out of that, balances amounting to Rs. 16,218,046 were being brought forward over a period of more than 03 years.
- (ii.) A sum of Rs. 3,705,340 payable to Local Government Pension Fund too were included in the Creditors amounting to Rs. 23,017,467 remained as Accounts Payable.

1.3.5. Lack of Evidence for Audit

A detailed examination could not be made with regard to transactions totaling Rs.11,895,927 due to non-submission of required information to audit.

2. Financial Review

2.1. Financial Results

According to the Financial Statements presented, surplus of the Sabha in excess of the recurrent expenditure for the year ended 31 December 2014 had been Rs.11,659,057 as compared with the corresponding surplus in excess of the recurrent expenditure amounted to Rs. 10,120,509 in the preceding year indicating an improvement of Rs.1,538,548 in the financial results. When Capital Grants amounting to Rs. 13,556,581 and Capital Expenditure amounting to Rs. 37,092,035 are adjusted to this financial result, the financial result relevant to the year under review had become a deficit of Rs. 11,876,397.

2.2. Analytical Financial Review

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.70,468,510 relevant to the year under review, a sum of Rs. 39,976,207 as 57 per cent approximately, were revenue not falling under a nature generated in the Sabha such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, the entire Capital Revenue of Rs. 1,356,580 was consisting of funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
- (b) Out of the total Recurrent Expenditure of Rs. 58,809,453 relevant to the year under review, a sum of Rs. 32,244,169 as 55 per cent approximately was expenditure for Personnel Emoluments. Out of that, a sum of Rs. 24,360,497 as 75 per cent approximately, had been provided by the Commissioner of Local Government as salary reimbursements. That value had been accounted under Other Revenue. Similarly, out of the Capital Expenditure of Rs. 37,092,035, a sum of Rs. 14,884,923 as 40 per cent approximately had been funds received development activities performed on the basis of provisions of sources such as Gama Neguma and Maga Neguma.

2.3. Revenue Administration

2.3.1. Lease Rent

While there was an arrears sum of Rs. 97,863 as at the end of the year under review relevant to 19 stalls in the two market complexes belong to the Sabha, out of that,05 stalls there were arrears of installments in a range from 06 to 27 installments amounting to Rs70,645. These arrears had come down to Rs. 61,099 by July 2015.

2.3.2. Court Fines and Stamp Fees

Court Fines and Stamp Fees receivable from the Chief Secretary to the Provincial Council as at the end of the year under review was Rs. 20,927,848.

3. Operating Review

3.1. Performance Evaluation

Seven Welfare Activities valued at Rs. 400,000 and 51 Capital Activities valued at Rs.10,330,000 planned to be performed during the year under review had not been performed.

3.2. Management Inefficiencies

Ten Deposits Balances amounting to Rs. 158,142 existing during a period between 01 to 03 years since the year 2011 to the year 2013 had not been settled and shown under Miscellaneous Deposits. Similarly, a sum of Rs. 390,000 provided by the Sri Lanka Institute of Local Government on 28 February 2011 had been shown under Accumulated Fund Deposits without being settled.

3.3. Idle and Under-utilized Assets

While a Stone Blocks Project had been commenced since March 2013 having spent about Rs.587,350 for Stone Blocks Machines and that yard, it had been stopped since January 2014. It was observed that 02 Concrete Blocks Machines valued at more than Rs. 587,350 and that yard had remained idle without being used for more than a year.

3.4. Improper Transactions

A sum of Rs. 200,000 had been paid to a private entity during December 2014 to purchase 3 tents for funeral functions. While quotations had not been called, approval too had not been obtained for this transaction. According to information obtained in audit, only 2 booths for covering sun and rain had been obtained.

4. Accountability and Good Governance

4.1. Budgetary Control

Although there was a provision of Rs. 6,347,670 for Supplies and Equipment under Recurrent Expenditure in the Budget relevant to the year under review, actual expenditure incurred had been Rs. 8,973,542. Due to that an excess of Rs. 2,625,872 was observed.

5. Systems and Control

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Assets Management