

BingiriyaPradeshiyaSabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 07 September 2016.

1.2 Qualified 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 BingiriyaPradeshiyaSabha at 31 December 2015 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

Following accounting deficiencies are observed.

- (a) Street Lamps Equipment valued at Rs. 191,200 purchased during the year 2015 had been accounted under Furniture and Fittings.
- (b) Although Sports Equipment amounting to Rs. 69,000 issued during the past years were not physically in the possession of the Sabha, had been accounted under Non-current assets.
- (c) Three Photo Copying Machines valued at Rs. 875,520, 05 Computer Machines and 08 Computer Items had been accounted under Stocks without being accounted under Machines and Machinery Equipment.
- (d) The balance of the Local Government Pension Fund Payable Ledger Account amounting to Rs. 3,499,237 had been shown as Rs. 3,416,816 in the trial balance, understating that balance in the financial statements in a sum of Rs. 82,421.

1.3.2 Non-reconciled Control Accounts

Following matters are observed.

- (a) Non-reconciliations in a sum of Rs. 12,654,142 were observed between the balances at the end of the year under review and the balances in the subsidiary registers relevant to 04 items of accounts.
- (b) Although Staff Security is an asset as well as a liability of the Sabha, while balance of the Security Investment account was Rs. 39,885, balance of the Staff Security Account had been Rs. 78,085 and accordingly non-reconciliation in a sum of Rs. 38,200 was revealed.

1.3.3 Suspense Accounts

There was a credit balance of Rs. 1,539,706 in the suspense account in the financial statements as at 31 December 2015. In this, there was a balance of Rs. 52,720 added during the year 2015.

1.3.4 Receivable and Payable Accounts

(a) Receivable Accounts

Following matters are observed.

- (i) Value of Receivable Accounts as at 31 December 2015 was Rs. 33,866,701. Out of that, balances amounting to Rs. 261,443 were being brought forward over a period of more than 03 years.
- (ii) While the balance of Rs. 200,000 receivable from the Director General of Public Finance and Accounts had been outstanding since a period of about 05 years, evidence such as registers or accounting documents to confirm it as balance receivable were not available.
- (iii) While the balance of Rs. 61,443 receivable on the basis of dishonored cheques had been outstanding since a period of more than 03 years, entry of dishonor or any information to identify it as balance in arrears were not available

(b) Payable Accounts

Following matters are observed.

- (i) Value of Payable Accounts as at 31 December 2015 was Rs. 27,749,225. Out of that, balances amounting to Rs. 508,206 were being brought forward over a period of more than 03 years.

- (ii) While Water Project Creditors amounting to Rs.310,031 were in the accounts during a period more than 03 years, files connected with parties payable and reasons were not submitted to audit.

- (iii) Although Value Added tax amounting to Rs. 242,889 and Nation Building Tax amounting to Rs. 44,341 had been recovered by the Sabha prior to the year 2014, action had not been taken to settle those amounts to the Commissioner General of Inland Revenue.

1.3.5 Lack of Evidence for Audit

A satisfactory examination could not be made with regard to 08 items of accounts valued at Rs. 77,739,042 due to non-submission of schedules indication make up relevant to those items of accounts.

1.3.6 Non-compliance with Laws, Rules, Regulations etc.

Action in terms of Financial Regulation 396 (d) of the Republic of Sri Lanka had not been taken with regard to 57 cheques valued at Rs. 189,089 issued, but not presented forpayments exceeding 06 months from the date of issue.

2 . Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 had been Rs.6,035,047 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.6,496,005 in the preceding year indicating a decline in the operational results. When Capital Grants amounting to Rs.26,162,115 and Capital Expenditure amounting to Rs.31,602,455 are adjusted to this financial result, the operational result relevant to the year under review had become a surplus of Rs. 594,707.

2.2 Analytical financial Review

Following matters are observed.

- (a) Variations relevant to actual revenue and expenditure between the year under review and the preceding year were as follows.

Revenue				Expenditure			
Source of Revenue	2015	2014	Variance	Expenditure Item	2015	2014	Variance
-----	-----	-----	-----	-----	-----	-----	-----
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	25,736,	30,492	(4,756)	Personal Emoluments	43,134	32,244	10,890
(ii)Others	<u>46,543</u>	<u>39,976</u>		Others			<u>(3,455)</u>
Sub total	72,279	70,468	<u>6,567</u>	Sub total	<u>23,110</u>	<u>26,565</u>	7,435
			1,811				
(iii) Capital Grant	26,162	13,557	12,605	Capital Expenditure	66,244	58,809	(5,490)
	-----	-----	-----		31,602		-----
	98,441	84,025	14,416	Grand Total	-----		1,945
Grand Total	=====	=====	=====		97,846	37,092	=====
	6,035	11,,659	(5,624)	Surplus/ Deficit	=====	-----	12,471
Operational Result					(595)	95,901	
						=====	
						(11,876)	

- (b) Out of the total Recurrent Revenue of Rs.72,279,719 relevant to the year under review, a sum of Rs. 46,543,000 or approximately 64 per cent were revenue not falling under a nature generated in the Sabha and were receipts in the nature of grants such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, the entire capital revenue of Rs. 26,162,115 was consist of funds received for development works in the area of authority through other institutions from sources such as Gama Neguma and MagaNeguma.

- (c) Out of the total Recurrent Expenditure of Rs.66,244,671 relevant to the year under review, a sum of Rs.43,134,796 or 65 per cent was expenditure for Personnel Emoluments. Out of that, a sum of Rs.36,989,877 or 85 per cent had been received from the Commissioner of Local Government as salary reimbursements while that value had been accounted under Other Revenue. Similarly, out of the capital expenditure of Rs.31,602,455, a sum of Rs.5,440,340 or approximately 17 percent only had been spent from Sabha Funds, while the balance amount of Rs.26,162,115 or 83 percent were development works performed on the basis of provisions of other institutions such a Gama Neguma and MagaNguma.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Estimated Revenue, Actual Revenue and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
	000	000	000	000	000	000
(i) Rates and Taxes	2,803	3,692	000	14,351	2,108	260
(ii) Lease Rent	380	1,798	609	64,795	336	--
(iii) License Fees	70,850	56,035	28,783	82,142	44,343	24,716
(iv) Other Revenue	86,123	72,280	29,599	57,004	57,004	25,600
Total						

2.3.2 Revenue Billed and Revenue in Arrears

Particulars are shown below.

Revenue Item	Balance as at 01.01.2015	Billings for the year	Total	Revenue collected out of arrears as at 01.01.2015	Revenue collected out of billings	Total Amount in Arrears Out of Balance as at billed	Total Arrears
	Rs.000	Rs.000	Rs.000	Rs.000	Rs. 000	Rs.000	Rs.000
Rates and Taxes(10)	260	3,096	3,356	151	3,149	109	207
Lease Rent	--	88	88	--	88	--	609
(20)	24,716	60,100	84,816	24,716	31,317	--	28,783

License Fees
(30
Other
Revenue(70

Total	----- 25,600 =====	----- 66,788 =====	----- 92,188 =====	----- 24,983 =====	----- 37,806 =====	----- 617 =====	----- 28,982 =====	----- 29,590 =====
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- (a) Although a sum of Rs. 3,096,000 had been billed under Rates and Taxes relevant to the year under review, only a sum of Rs. 2,998,211 or 96 percent only had been recovered. Similarly, while there was a sum of Rs. 206,875 in arrears at the end of the year under review, it had been 6.6 percent of the annual billings.
- (b) Although a sum of Rs. 3,504,444 had been billed under Lease Rent relevant to the year under review, only a sum of Rs. 3,402,678 or 97 percent only had been recovered. Similarly, while there was a sum of Rs. 609,038 in arrears at the end of the year under review, it had been 17 percent of the annual billings.

2.3.3 Court Fines and Stamp Fees

Although the Court Fines revenue relevant to the year under review, was Rs.8,000,000 a sum of Rs. 6,989,066 only had been received from the Chief Secretary to the Provincial Council. while there was a sum of Rs. 206,875 in arrears at the end of the year under review, it had been 6.6 percent of the annual billings. Although Stamp Fees Revenue relevant to the year under review had been estimated as Rs. 9,000,000, a sum of Rs. 15,919,975 only had been received out of that.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Out of the amount shown under deposits received to the Sabha in various occasions, the value of balances not settled during a period exceeding 4 years had been Rs. 98,814.
- (b) While the number of posts of Revenue Inspectors approved for the Sabha was 3, actual number had been two. Under these circumstances, a laborer had been appointed by the Chairman with effect from 01 January 2014 for collection of revenue in the field without proper approval.

3.2 Development of Housing Properties and Allotment of Land

- (a) One percent tax to recovered in terms of section 154(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been computed on the selling price based on the quarterly reports and had been obtained on the basis of estimated selling price.
- (b) Development Plans and Allotment Plans had been approved without obtaining reports from North Western Central Environment authority, Agrarian Development Department, Coconut Cultivation Board and the Land Allotment Board.
- (c) Following matters were observed relevant to development for housing properties and allotments of Bingiriya, Bowatta Estate in extent of 21 acres and 01 ruda and 14 perches.
 - (i) There were 02 blocks registered as Deeds No. 226 and 113, and Serial No. 61 and 64, according to the Land Allotments Register and payment of 01 percent tax. However, it was observed that, it had been mentioned that this had been a one land according to the letter dated 24 June 2015 issued by the Board of Control for Allotment of Tea, Coconut and Rubber Lands to the owner of the land. Accordingly, it was observed that, the relevant parties had acted willfully to avoid the provisions in the by-law for Housing Properties Development Allotments.
 - (ii) Although it was confirmed that there was a problem with regard to ownership of the land, the Pradeshiya Sabha had not taken action to ascertain from the Kuliya Pitiya Land Registry whether the Property Auction Firm has the legal ownership.
 - (iii) Although it had been informed to the Divisional Secretary, to stop the allotment of this land immediately vide letter No. D/15/1/2 dated 27 April 2015 of the Commissioner of local Government, permission had been granted again for allotments by the Commissioner of Local Government before receipt of the relevant files and the investigation results.
 - (iv) Although the Board of Control for Allotment of Tea, Coconut and Rubber Lands had instructed to carry out allotment works including conditions such as maintenance of coconut lands, re-cultivation of coconut in lieu of coconut trees removed in construction of roads, and carrying out relevant Projects under the supervision of the Coconut Cultivation Board, action had not been taken accordingly. Pradeshiya Sabha had not taken proper action in that connection.

3.3 Transactions of Contentious Nature

Although the collection of revenue on two days, 11 and 12 January 2015 in Bowatta, Vilaththawa, Padiwela and Weera Pokuna belong to the Sabha had been made by unknown persons, course of action had not been taken to identify those persons and recover the relevant money

4 Accountability and Good Governance

4.1 Assets Management

Idle and Underutilized Assets

Following matters are observed.

- (a) Although a sum of Rs.587,350 was spent during the year 2013 for the Block Stones Production Yard and two Production Machines by the Sabha, those had been kept idle for more than period of two years.

- (b) Isuzu Tipper Vehicle bearing No. GC 4267 purchased during the year 2000 had been kept idle for more than period of three years.

05. Systems and Controls

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

- (a) Accounting
- (b) Financial Control
- (c) Assets Management
- (d) RevenueAdministration.

