

**Bingiriya Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been submitted to the audit on 13 June 2018 and the Auditor General's report on those financial statements had been sent to the Chairman on 30 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Bingiriya Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments of Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) The cost of a construction for the year 2018 amounting to Rs.5,571,477 had been recorded as fixed assets for the year under review and the cost of construction pertaining to the year under review amounting to Rs.2,128,423 had not been capitalized.
- (b) Thirty three inventory items worth Rs. 601,117 purchased during the year under review had not been brought to account.
- (c) As the notes relating to the correction of understating the balance of Capital Grats Accounts by Rs.1,000,000 in the preceeding year had not been correctly accounted for, the Accumulated Fund and the Suspense Account had been understated by Rs.2,000,000.
- (c) Balance of Rs. 1,001,767 existed in 02 dormant accounts of the Sabha had not been shown in the financial statements.

1.3.2 Unreconciled Accounts

There observed a difference of Rs. 66,508,360 between the financial statements and the relevant schedules relating to 04 items of accounts by the end of the year under review.

1.3.3 Suspense Account

There was a debit balance of Rs. 5,360,283 in the Suspense Account as at 31 December the year under review,.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

Out of the balance of accounts receivable as at 31 Decedmber of the year under review amounting to Rs. 268,550, there were balances existed for more than 01 year and less than 03 years and there were balances of Rs. 2,168,559 remained for more than 03 years. Further, an age analysis pertaining to the balances of Rs. 14,572,253 had not been furnished to Audit.

(b) Accounts Payable

Out of the balance of accounts payable as at 31 Decedmber of the year under review amounting to Rs. 69,272,758, the balances of Rs. 1,938,138 existed for more than 01 year and less than 03 years and the balances of Rs. 3,066,033 that remained for more than 03 years had not been settled and age analysis pertaining to the balances of Rs. 9,968,039 had not been furnished to Audit.

1.3.5 Lack of Necessary Written Evidence for Audit

Due to failure in presenting necessary information, 06 items of accounts totalling Rs. 244,191,119 could not be satisfactorily verified in audit.

1.3.6 Non-compliance with laws, rules, regulations and management decisions

Instances of Non-compliance with laws, rules, regulations and management decisions are stated below.

Reference to laws, rules, regulations and management decisions	Value Rs.	Non-compliance
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(a) Pradeshiya Sabha Act No 15 of 1987		
Section 154 (1)	1,522,793	Out of the 10 lands sold by the auctioneer in the year under review, only 01 percent of the estimated sale price had been recovered instead of being recovered 01 per cent of the sale price of those lands.
(b) Pradeshiya Sabhas (Finance and Administrative) Rules,1988		
(i) Rule 5 (6)	67,660,118	All revenues and other fees receivable to the Sabha had not been collected during the prescribed period.
(ii) Rule 218	164,711,550	All lands and buildings belonging to the Sabha had not been surveyed at least once a year.

.02 Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 13,457,616 for the year ended 31 December 2017 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 21,015,363 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,319,164	4,298,814	4,156,815	209,953	2,967,000	3,865,000	4,031,000	67,934
(ii) Rentals	13,928,798	14,662,448	14,576,193	969,738	14,050,000	12,428,000	12,094,000	883,483
(iii) Licence Fees	380,000	790,538	789,538		355,000	878,000	878,000	-
(iv) Other Revenue	74,163,500	72,047,353	72,047,353	66,222,631,000	75,257,000	72,437,000	45,103,000	55,917,294
Total	91,791,462	91,799,153	91,569,899	67,403,327	92,629,000	89,608,000	62,106,000	56,868,711

Note

The revenue collected during the year under review had included the collection of outstanding revenue for the preceding years. There were differences between the above revenue presented by the Sabha and the values shown in the financial statements.

2.2.2 Performance in the Collection of Revenue

Of the billed revenue amounting to Rs.91.8 million during the year under review and the outstanding revenue of Rs.56.8 million of the preceding years, revenue of Rs.91.6 million had been collected. The outstanding revenue of Rs.56.8 million as at 31 December of the preceding year had increased up to Rs.67.4 million by 31 December of the year under review.

2.2.3 Rent

The arrears of rents amounting to Rs. 883,483 as at the end of the preceding year had increased up to Rs. 969,738 by the end of the year under review.

2.2.4 Other Revenue

A sum of Rs.203,095 that remained unrecovered over a number of years and Rs. 53,717 relating to dishonoured cheques had not been recovered.

2.2.5 Court Fines and Stamp Duty

The court fines and stamp duty receivable from the Chief Secretary of the Provincial Council as at 31 December 2017 had been Rs.11,500,000 and Rs.15,000,000 respectively.

.03 Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people to be performed by the Sabha in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a) laws-By

activities under the Section laws should be enacted to perform 24 main-Even though By laws had been enacted only for 12 activities by 31 -of the Pradeshiya Sabha act, by 126 .December 2017

(b) Failure to Achieve the Expected Level of Output

According to the Physical Progress Reports, although plans had been drawn to lay rubbles on 28 roads, rubbles had been laid only for 21 roads out of the above roads.

(d) Solid Waste Management

Recurrent expenditure of Rs. 4,533,521 and capital expenditure of Rs. 1,149,660 had been incurred in respect of solid waste management during the year under review. During the year under review, 14,210 kilograms of compost had been manufactured and 13,548 kilograms of fertilizer had been sold at Rs. 108,384.

(d) Environmental Issues

Environmental impact mitigation projects had not been implemented in clearing 38 Acres 01 Rood and 27.07 perches of land that had been developed and sold during the year under review.

(e) Sustainable Development Goals

The following matters were observed

- (i) As the Sabha was unaware of the "Sustainable Development Agenda 2030", action had not been taken to link the activities of the Sabha to the targets set for the 17 Sustainable Development Goals.
- (ii) Continuous development of coconut lands for homes and properties was observed in a manner unfavourable to the sustainable use of the geographical ecosystem, countering desertification, stopping land degradation and rehabilitation mentioned in Sustainable Development Goals 15 and ensuring sustainable consumption and production patterns outlined in Sustainable Development Goals 12 and more than 39 acres of coconut lands had been developed for homes and properties only in the year under review

3.2 Management Inefficiencies

The following matters were observed.

- (a) The monthly rent of two rooms at the Bingiriya and Bowatte shopping complex owned by the Sabha had not been decided on a valuation report.
- (b) In giving shops at new shopping complex while removing the old shops at the Bowatta Shopping Complex that had been given on Key Money system, shops had not been received by 06 old shop owners.
- (c) Since a tipper of the Sabha which could have been repaired at Rs.1,676,520 within 03 months had been retained idle in a private garage for 03 years, a sum of Rs.201,400 had been overpaid to replaced the damaged parts.

3.3 Human Resource Management

The following matters were observed.

- (a) Of the 27 approved secondary positions, 13 had remained vacant. There were 13 Development Officers and 04 Preschool Assistants attached by the Local Government Department who were not included in the approved cadre of the Sabha.
- (b) The duties of the Management Assistant had been assigned to an office assistant on the day of appointment in December 2013.
- (c) An office assistant at Grade III who had served in the Sabha had left the island from 2 March 2017 to 06 March 2017 without obtaining approval for leave in accordance with Section 23.1 of Chapter XII of the Establishments Code.

3.4 Assets Management

3.4.1 Failure to Document Assets

Although the information of 27 buildings had been available in the Sabha, no document was maintained in accordance with Form PS-46.

3.4.2 Assets that had not been transferred

The tipper, crew cab and the tractor used by the Sabha had not been taken over by the Sabha.

3.4.3 Idle/Underutilized Assets

Two paving block machines worth Rs.374,136 remained idle from a period of 04 years.

3.4.4 Utilization of Vehicle

Out of the estimate amounting to Rs.55,000 for the repairs to radiator and the water cooling system of the Tipper of the Sabha, only the cooling system had been repaired and payments had been made according to the indication that a radiator was newly replaced. According to the work item No.02 of this repairs to the Tipper, a sum of Rs.280,000 had been paid to replace the face of the vehicle. It was revealed at the physical examination conducted on 23 November 2017 that the

dashboard of the vehicle had been painted. Painting was not need if a face was newly replaced and the removed face of the vehicle had not been taken over by the Sabha.

3.5 Procurement

3.5.1 Supply and Services

The following matters were observed.

- (a) In the purchase of Baco Loader by the Sabha at Rs.11,913,000 while rejecting the supplier who quoted the minimum price of Rs.10,500,000 as per the recommendation of the Technical Evaluation Committee, a sum of Rs.1,413,000 had been excessively paid.
- (b) Calling for quotation for external repairs worth Rs.515,000 of the Tipper belonging to the Sabha had not been carried out in accordance with the Public Administration Circular No.30/2016 dated 29 December 2016.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Financial Statements of the year under review had been presented on 13 June 2018.

4.2 Budgetary Control

The following matters were observed.

- (a) Twenty four unbudgeted development programmes valued at Rs. 19,780,515 had been carried out during the year under review.
- (b) As budgetary provisions pertaining to the Object of Projects had been transferred to another Objects, savings of provisions from 10 per cent to 100 per cent could be observed.

4.3 Internal Audit

Although 04 officers had been appointed for the internal audit activities of the Sabha, not adequate internal audit was carried out. Therefore, the internal audit activities had not been independent and the internal audit reports had not been furnished to the Auditor General.

.5 Systems and Control

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

System	Deficiency
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(a) Accounting	(i) Failure to settle the balances of the Suspense Account. (ii) Failure to account for assets.
(b) Control of Assets/properties	Failure to document the buildings.
(c) Debtors/ Creditors Control	(i) Failure to prepare the age analysis. (ii) Existing longstanding unidentified balances.
(d) Supply and Services	(i) Non-compliance with laws, rules and regulations. (ii) Causing delays