

**Bingiriya Pradeshiya Sabha  
Kurunegala District**

**1. Financial Statements**  
-----

**1.1 Presentation of Financial Statements**  
-----

The financial statements for the year 2018 had been presented to audit on 25 March 2019 and the Summary Report of the Auditor General on the financial statements on 30 May 2019 and the Detailed Management Audit Report on 07 June 2019 had been furnished to the Chairman.

**1.2 Qualified Opinion**  
-----

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<b>(a)</b> Forty two fixed asset items belonging to the Pradeshiya Sabha amounted to Rs.8,745,085 had not been accounted for at the end of the year under review.	Action should be taken to account for the fixed assets.	Adjustment will be made to the final account in the year 2019.
<b>(b)</b> The value of the 20 lands belonging to the Sabha and fixed assets owned to preschools, libraries, children's parks, weekly fairs and solid waste centers had not been assessed stated in the financial statements.	The value of fixed assets should be assessed and taken in to accounts.	The present value of these properties will be assessed by the Revenue Inspector of the Sabha in the future land survey and action will be taken to rectify them.

- |     |  |   |   |
|-----|--|---|---|
| (c) | The rent receivable from the Motor Grader and the Compacting Roller amounted to Rs. 214,075 had not been stated in the financial statements.   | The arrears income should be identified accurately and shown in the financial statements. | Road Development Authority had not paid the rent for the hired Motor Grader and Beco Loader regularly and this money has been recovered later by the Sabha.   |
| (d) | The value of Ayurvedic drugs belonging to the Pradeshiya Sabha amounted to Rs. 345,198 as at 31 December 2018 had not been stated in the financial statements.                           | All outstanding balances should be accounted for as at 31 December 2018.                  | Actions will be taken to make necessary corrections by the journal entries in the final accounts for the year 2019.   |
| (e) | The value of Land and car amounted to Rs. 792,000 and Rs. 5,112,000 respectively had been understated.   | Action should be taken to account for the correct values.                                 | This is a typographical error and the shortcomings and changes caused by that in the asset values will be corrected by the respective journal entry to the final account for the year 2019.   |
| (f) | Although the employee Balance as per Employee Loan Register at the end of the year under review was Rs. <b>9,030,884</b> it had been stated as Rs. 9,301,823 in the financial statements | Actions should be taken to identify the changes and take action to correct the accounts.  | As this appears to be a change from previous years, further actions will be taken to seek information and settle it.  |
| (g) | There were disagreements of Rs.57,231,389 between the balances of two accounts items and the related schedule as per the financial statements at the end of the year under review.       | It is necessary to reconcile the changes and correct the accounts.                        | since the relevant schedules have not been accurately recorded for many years preparing of accurate schedules for the account balances has been problematic. Actions will be taken to minimize this difference by checking the relevant |

schedules and making relevant updates.

- (h) There were disagreements of Rs. 31,673,360 between the balances of 03 accounts items and the related schedule as per the financial statements at the end of the year under review.
- It is necessary to reconcile the changes and correct the accounts
- since the relevant schedules have not been accurately recorded for many years preparing of accurate schedules for the account balances has been problematic. Actions will be taken to minimize this difference by checking the relevant schedules and making relevant updates.
- (i) The debit balance of the suspense account amounted to Rs. 5,360,283 at 31 December in previous year had become a credit balance of Rs. 2,541,473 as at 31 December of the year under review.
- It should look into the matter and make necessary adjustments and settle the suspense account.
- The suspense account has remained for many years and the balance has changed from year to year by adding some values. Although it is difficult to find the correct information of past, it has worked to correct the accumulated values in recent times and minimize the suspense balance. Nevertheless, on accounting of Rs. 1,001,767 to two Bank Accounts until recent, the balance of suspense account has increased up to Rs. 2,541,473 .
- (j) The relevant evidence had not been submitted to the audit for 12 accounts items amounted to Rs. 227,756,730 .
- The evidences ascertaining the account balances shown in the financial statements should be submitted .
- It is regret for the shortcomings and will submit the relevant documents and information for the next audit activities.

## 1.4 Non-compliance

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

The instances of non-compliance with laws, rules, regulations and management decisions are as follows.

<b>Reference to Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) 1988 Pradeshiya Sabhas (Finance & Administration) Rules 218	No steps have been taken to survey all the lands and buildings owned by the Sabha once in every year.	Actions should be taken in accordance with the rules of the Pradeshiya Sabha (Financial and Administrative).	All land and buildings belonging to the Sabha will be examined by a Board of Survey from the year 2019 .
(b) Treasury Secretary's Circular No. IAI / 2002/02 of 28 November 2002	A separate Register of Fixed Assets had not been maintained on computer equipment and software.	Action should be taken as per the circular of the Secretary to the Treasury.	Arrangements will be made to maintain a separate Register of Fixed Assets for computer accessories and software.

## 02. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 was Rs. 29,137,196 as compared to the corresponding revenue over recurrent expenditure for the preceding year was Rs. 13,457,616 .

## 2.2 Financial control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Actions had not been taken in terms of Financial Regulation 486 relating to rejected cheques amounted to Rs.53,717 .	Actions should be taken in terms of Financial Regulation 486.	It is informed that the actions will be taken to comply with the relevant Financial Regulations.
(b) Arrangements had not been made to identify the difference of Rs. 181,846 between the cash book and the bank statement and settle .	The unidentified difference should be recognized and settled.	The unidentified difference is being remained since previous years and it is difficult to find out the reasons. So it was impossible to resolve this difference.

## 2.3 Revenue Administration

### 2.3.1 Estimated Income, Billed Income, Collected Income and Arrears Income

Source of Revenue	Year 2018				Year 2017			
	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.'000	Rs'000.	Rs.'000	Rs.'000	Rs'000.	Rs.'000	Rs.'000	Rs.
i. Rates and Taxes	2,879	3,621	3,752	78	3,319	4,298	4,156	209
ii. Rent	14,702	13,618	13,819	768	13,928	14,662	14,576	968
iii. License Fees	910	814	815	-	380	790	789	1
iv. Other	70,616	89,695	76,819	44,712	74,163	72,047	72,047	31,836
<b>Total</b>	<b>89,107</b>	<b>108</b>	<b>95,205</b>	<b>45,558</b>	<b>91,790</b>	<b>91,797</b>	<b>91,568</b>	<b>33,014</b>

#### Note

Revenue collected for 2017 and 2018 consisted of arrears recoveries related to previous years.

### 2.3.2 Rates and Taxes

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) An acreage tax amounted to Rs. 24,600 from 90 properties in the Sabha area as at the end of the year under review had to be recovered.	Action should be taken to recover the arrears and make necessary corrections.	A sum of Rs.11,780 had been over calculated for 43 lessors for various reasons and documented as arrears of taxes. The approval of the Council Meetings has been obtained to write off the over computed arrears.
b) A sum of Rs. 30,600 had been in receivable for 15 business units as at 31 December 2018 .	Actions should be taken to recover.	A case has been filed to recover business taxes.

### 2.3.3 Rent

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Even though, the rent for 18 shops in Bingiriya shopping complex and 02 shops in Halmillawewa, Habawewa had been assessed in the year 2017, due to not implementing that assessment in the year 2018 the Sabha had lost an income of Rs. 320,160 .	Actions should be taken to collect the rent from the near year as per the assessment.	The new valuation for shops has been given by the Department of Valuation on 02.08.2017 and 12.10.2017. This was not implemented due to the protests from the business community about the increase in the secretary to the then Secretary. The Secretary submitted the assessment to the General Assembly on 09.10.2018 and the General Assembly has approved the implementation of the assessment. Accordingly, the valuation has been implemented with effect from 1st January 2019 and the

charge has been commenced.

(b) Actions had been taken to recover the arrears lease rent recoverable amounted to Rs. 764,557 from 05 instances in respect of property leasing remained prior to the year under review.

Actions should be taken in accordance with the agreements.

Four lease property cases have been filed. Investigations are being carried out referring to the Commissioner of Local Government for deduction of arrears after the person relevant to other property has died.

**2.3.4 License fee**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) The trade license fees as at 31 December 2018 amounted to Rs. 61,000 had remained in receivable from 61 business units and the Sabha had filed a case to recover licenses fees from 32 business units.</p>	<p>Actions should be taken in accordance with the provisions of the Pradeshiya Sabha Act and the Rules.</p>	<p>Fees were collected from the Businessmen who have received M.O.H recommendations before 31.12.2018 but have not obtained licenses by going into the field and have filed cases against the businessmen who had not got license so. The verdicts have been received for 24 cases by now and the relevant fines have been recovered.</p>
<p>(b) Applications relevant for 136 business units which were sent to the Medical Officer Health for obtaining recommendation have not been approved and sent and it had been impossible to charge the relevant license fees relating to that during the year 2018 .</p>	<p>Actions should be taken to recover the due fees .</p>	<p>Although the applications have been sent on the due date, the Public Health Inspectors have not inspected the business places and recommended them. Steps will be taken to minimize this delay in the year 2019.</p>

### 2.3.5 Court Fines and Stamp Fees

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Estimated receivable Court Fines amounted to Rs.8,913,628 and Stamp Duty amounted to Rs.31,711,876 from the Chief Secretary of the Provincial Council as at 31 December of the year under review .	Arrangements should be made to be recovered.	The comments have not been given.

## 03. Operating Review

### 3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of functions of the Sabha such as 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 are as follows.

#### (a) By-laws

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Since by-laws should have been enacted for the fulfillment of 29 main tasks under Section 126 of the Pradeshiya Sabha Act, although the By-Laws were adopted which were enacted by the Gazette Extraordinary No. 520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988 in respect of these matters, any By-law had not been enacted as per the requirement.	Actions should be taken to adopt By-laws as per the requirement by performing according to the By-laws adopted	The comments have not been given.



**(b) Not obtaining Desired Benefits**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>(i) Even though arrangements had been made for an additional water supply scheme by incurring Sabha funds and the Provincial Council and Provincial Specific Development Funds amounted to Rs. 2,834,444 for the years 2017 and 2018 for the increase of the capacity of the Millalanda Water Project, it had not been completed even by 28 January 2019 .</p>	<p>Actions should be taken to provide the public service by executing the relevant construction period in accordance with the agreement.</p>	<p>Since the project is to be completed at the end of the year 2018, the CEB has been paid to provide electricity to the pump house. The pipeline work of this project has been completed and the supply of electricity has also been provided accordingly and it is expected to carry out the further activities of the relevant project in the year 2019.</p>
<p>(ii) Although it had elapsed 03 years the Bowaththa bus stand, which had been built consisting of 07 shops had been there for three years expending Rs. 9,400,000, it has not been used for the relevant purposes.</p>	<p>Property of the Sabha should be used for both public service and to earn revenue for the Sabha.</p>	<p>Necessary steps will be taken to provide the required funds this year to make the bus stand in operatiol and open to the public.</p>
<p>(iii) Although it has elapsed two years incurring a sum of Rs.7,189,225 for the Kahawalawatta Drinking Water Supply Project with Provision of Provincial Specific Roads, Transport Development and Trade Housing, Industry and Rural Development in the years 2017 and 2018, actions had not been taken to provide water to the people.</p>	<p>Action should be taken to use them for relevant purposes.</p>	<p>It is expected to deploy the provision for the year 2019 to be fully operational. The water supply pipeline was expanded to meet the demand of the people and even a new tube well was constructed. Steps will be taken to provide water related to capacity that could be able to supply.</p>

### (C) Failure to Perform Tasks

<b>Audit monitoring</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A sum of Rs.3,368,590 budgeted as per the Budget Estimate 2018, twenty contracts had not been performed .	The attention should be drawn to perform Budgetary industries.	The proposals included in the Budget 2018 could not be implemented as their proposals had to be prioritized with the arrival of public representatives at the beginning of the year 2018 .

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Actions had not been taken to settle a sum of Rs.1,695,256 which had remained for several years.	Arrangements should be made to settle identifying those balances.	An advance of Rs.1,408,026 has been recorded in the account and this amount has not been recorded in the Advance Register for the year 2018 . Since this is a balance from previous years , actions will be taken to look into the future. Action will be taken to pay the Value Added Tax amounted to Rs.242,889 and the Nations' Building Tax amounted to Rs.44,341 as soon as possible.
(b) Seven hundred chairs valued at Rs. 661,550 had been purchased for the distribution to the Community Societies that were not active and had not been delivered even by 08 April 2019.	Purchases should be made after identifying the necessity accurately.	The Community Societies have been activated by now and these chairs will be distributed to community centers as soon as possible.

- (c) Sports equipment valued to Rs. 199,580 was purchased to be distributed to Sports Societies and actions had not been taken to distribute the sports equipment even by 08 April 2019 . Purchases should be made after identifying the necessity accurately. There are defects in the purchased process and will be corrected that in future. It is in due to be distributed these items at a major event in future.

### 3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p><b>(a) Employee Vacancies and Excesses</b></p> <p>There were 34 vacant positions and 19 excess positions by the end of the year under review.</p>	<p>Actions should be taken to recruit for the vacancies and regularize the excesses.</p>	<p>Answers had not been given.</p>
<p><b>(b) Employee Loans</b></p> <p>Actions had not been taken to recover the loan balance amounted to Rs. 162,230 of an officer who did not report to work due to illness .</p>	<p>Action should be taken to recover in terms of the provisions of the Establishments Code.</p>	<p>The balances of Rs. 160,980 and Rs. 1,250 are property loans and festival advances and it was impossible to recover due to he had not reported to work.</p>
<p><b>(c) Employee Securities</b></p> <p>Even though a sum of Rs.64,975 had been recovered as a surety of 42 officers in the year 2018, arrangements had not been made to invest them in the deposit accounts by the names of the officials.</p>	<p>Action should be taken to open the accounts in the name of the officers and deposit the Securities.</p>	<p>Only for a few officers the accounts have been opened for the employees sureties. Arrangements will be made to open those accounts and to deposit the Securities.</p>

### 3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Fifty one industries which had obtained environment permits in the year 2018, had not obtained trade licenses had been issued for 140 industries which had not obtained environment permits .</p>	<p>Actions should be taken to perform the activities accurately through proper coordination of work among each division.</p>	<p>The issue arisen in communication between the Environment Division and the Revenue Division will be rectified in the year 2019.</p>
<p>(b) The Sisila Sevana land owned by the Sabha (Matawanakanda) Lot No. 17 with 01 Rood and 21.7 Perches in extent is illegally being occupied by an encroach and the land on Lot No. 44 with 1 Rood and 4.1 Perches in extent had remained at unidentified condition.</p>	<p>Actions should be taken to protect the property of the Sabha.</p>	<p>The relevant party was informed to remove the buildings constructed without proper authority and use of the above lands belonging to the Sabha. It is informed that the steps will be taken to set up the fence boundaries.</p>

### 3.5 Asset Management

#### 3.5.1 Inactive / Underutilized Assets

Audit Observation	Recommendation	Comment by the Accounting Officer
<p>(a) Four assets belonging to the Sabha valued at Rs.856,136 had remained in idle without any use.</p>	<p>Actions should be taken to repair or dispose of idle assets.</p>	<p>Assets No. 01 and 02 have been sent to repair after obtaining the Mechanical Engineering Reports. The minimum valuation for the two interlock machines will be obtained from the Mechanical Engineer and actions will be taken to auction.</p>

- |  |  |  |
|--|--|--|
| <p>(b) The community hall and toilet system those were built at the Green Estate Land by incurring fund of the Sabha amounted to Rs.3,100,000 in the year 2017, had not been utilized even by the 31 December 2018 .</p> | <p>Attention should be drawn to the use of Sabha funds for productive purposes.</p>                    | <p>There is an issue of obtain water facility due to the construction in a densely populated area. Steps will be taken to expand this as a functioning hall and to open the toilet system. The above construction will be implemented in stages and will be utilized for more productive purposes.</p> |
| <p>(c) The two-storied toilet system built in the town of Bowatte by incurring a sum of Rs.7,000,000 in the year 2015 had been locked in a way that people cannot use.</p>   | <p>Actions should be taken to effectively utilize the assets that are being spent by public funds.</p> | <p>The water supply has been provided for this purpose and it is informed that the other shortcomings will be rectified in future and made available to the public. Arrangements will be made to submit relevant documents to the audit.</p>   |

### 3.5.2 Utilization of Vehicles

-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment by the Accounting Officer</b> -----
<p>It had been entered into the estimated cost of Rs.1,475,000 for installing of a new body for the vehicle bearing the number 252-6372 of the Sabha and the Sabha was informed by the selected institution to pay for an additional repairs amounted to Rs. 206,209 based only on the instructions of the Mechanical Engineer before providing the approval of the Sabha.</p>	<p>Action should be taken to recover the excess payments.</p>	<p>Action will be taken to inform the Mechanical Engineer regarding this and obtain a report and if the same expenditure is mentioned twice or paid, actions will be taken to recover it.</p>

### 3.6 Improper Transactions

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comment by the Accounting Officer</b> -----
<p>(a) A sum of Rs.200,000 in the name of Director of Public Finance and Accounts, a sum of Rs.3,095 in the name of the Ministry of Highways and the debtors balance amounted Rs. 20,494,008 had been debited to the Accumulated Fund by journal entry numbers 27,28 and 39 without identification.</p>	<p>In case of writing of the balances sheets, actions should be taken to identify the individual balances to note journal entries.</p>	<p>No any information or sub-documents can be found regarding these debtor balances.</p>
<p>(b) The water project creditor balance amounted to Rs.310,132 and sundry creditors amounted to Rs. 12,354,100 had been credited to the Accumulated Fund by journal entry numbers 29 and 35 without proper approval.</p>	<p>In case of writing of the balances sheets, actions should be taken to identify the individual balances to note journal entries</p>	<p>No information or sub-documents can be found regarding these creditor balances.</p>

### 3.7 Procurement

#### 3.7.1 Procurement Plan

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comment by the Accounting Officer</b> -----
<p>A Procurement Plan for the year 2018 had not been prepared.</p>	<p>A Procurement Plan should be prepared.</p>	<p>It is informed that that a Plan has been prepared for the year 2019.</p>

### 3.7.2 Supplies and Services

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment by the Accounting Officer</b>
As a result of the refusal of the lower bidder institutions to buy at higher prices without providing acceptable reasons for certain items when purchasing of street lamps and accessories, a loss of Rs.201,475 had occurred to the Sabha funds.	Arrangements should be made in accordance with Procurement Guidelines to benefit to the Sabha Fund.	As it is a collective decision of the Procurement Committee, arrangements will be made to take correct decisions by make aware of the Honorable Members of the sabha with regard to that in future .

### 3.7.3 Contract Administration

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment by the Accounting Officer</b>
(a) Although the temporary measures such as graveling of roads should not be carried out in accordance with Paragraph 02 of the Finance Commission Circular No. 2016/01 dated 22 December 2015, a sum of Rs. 2,378,257 have been incurred on 35 gravel roads in the year 2018. There were no gravel to the proper thickness on the gravel spread roads , gravel washes and pits seen in those gravel roads.	It should be complied with the circular instructions and monitor the performance of the relevant industry That it is done in accordance with the agreements.	Actions will be taken to rectify by make aware of the Sabha in terms of the relevant Finance Commission Circular of the year 2019.

- (b) Even though the Dilshan shop in the Mukalanhena Grama Niladhari Division has been allocated for the development of the Namal Uyana road leading to Panawewa, with the development of the Provincial Specific Development Grant amounted to Rs. 996,275, a part of the road was paved with concrete incurring a sum of Rs. 114,649 and by the time of the physical inspection, the surface had been peeling away.
- Actions should be taken to carry out all construction work properly and supervised by the Sabha.
- The above shortcoming has been informed to the contract society and the contractor was made aware to spray the chips with a tar coating on the surface of the concrete deck and about the above shortfall and it is informed that retentions will be released after rectifying that.