

Bingiriya Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2013.

1.2 Opinion

In view of the comments and observations appearing in my report, I do not express an opinion on the financial statements of the Bingiriya Pradeshiya Sabha for the year ended 31 December 2012 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Fixed assets valued at Rs.1,446,860 had been taken to the balance of stock in hand as at 31 December 2012 again whilst it had been already capitalized under revenue contribution to capital outlay account. Therefore, assets as at end of the year under review had been overstated in the financial statements by Rs.1,446,860.
- (b.) Contributions to the Local Government Pension Fund amounting to Rs.196,779 and a sum of Rs.4,206,939 payable as at end of the year under review had not been brought to account.
- (c.) A sum of Rs.11,315,462 received under capital receipts had been taken into the income and expenditure account and of this, amounts relating to the previous years had not been identified and brought to account. Further, a sum of Rs.1,500,000 receivable for the year under review had not been included under capital receipts.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.47,880,760 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.18,499,269 as compared with the excess of revenue over recurrent expenditure amounting to Rs.26,257,241 for the preceding year.

2.2 Unsettled Accounts

- (a.) The revenue debtors included a sum of Rs.200,000 and Rs.8,038,934 respectively due from the Director of Public Finance and Accounts and the Commissioner of Local Government (North West) remained unsettled for over a long period.
- (b.) Sundry creditors included a sum of Rs.2,435,693 payable to the Udubaddawa Pradeshiya Sabha and creditors amounting to Rs.310,132 on water projects. These balances existed for over a number of years had not been settled even during the year under review.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue -----	Estimated -----	Actual -----	Cumulative Arrears as at 31 December -----
	Rs. '000	Rs. '000	Rs. '000
(i.) Rates and Taxes	790	333	313
(ii.) Lease Rent	8,133	10,633	344
(iii.) Licence Fees	1,110	1,320	123
(iv.) Other Revenue	44,552	33,810	19,240

2.3.2 Rates and Taxes

There were arrears amounting to Rs.106,536 and Rs.205,784 respectively under rates and Acre Tax as at end of the year under review.

2.3.3 Lease Rent

- (a.) There were arrears amounting to Rs.441,115 relating to 03 meat stalls as at end of the year under review in respect of annual lease of assets. Of this, legal procedure had been initiated in respect of Rs.241,038. A further sum of Rs.100,722 had been due for the rest 02 stalls.
- (b.) There was an arrears of Rs.55,905 as at end of the year under review that had been brought forward since 2009 in respect of 02 stalls of the Bingiriya Trade Complex.

2.3.4 Business Tax and Trade Licence Fees

- (a.) A charge not exceeding 1% on the turnover of the hotel can be charged in terms of the provisions of Section 149 of the Pradeshiya Sabha Act No.15 of 1987 in respect of the hotels within the area of the Sabha that had been registered at the Tourist Board. Nevertheless an annual charge of Rs.3,000 only had been recovered in respect of one institution identified by the Sabha.
- (b.) A survey had been carried out in October 2011 to identified the places from which trade licence fees and business tax are recoverable for the year under review; and recoveries had been made from only 887 out of 1357 places identified according to the survey. The rest of the places had not been registered or lists of arrears had not been prepared in terms of the provisions of Rule No.63 of the Pradeshiya Sabha (Financial an Administrative) Rules-1988 or action had not been taken to recover the arrears in terms of Section 152(4) and 150(4) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.5 Prefabricating Charges for Telephone Transmission Towers

Although it had been planned to recover licence fees and prefabricating charges at Rs.100 each and an approving charge amounting to Rs.100,000 from the telephone transmission towers approved by the Sabha; attention had not been paid to carry out a survey on the telephone transmission towers located within the area of authority of the Sabha, identify them and to register them or to recover charges based on the survey.

2.3.6 Vehicle Parking Charges

By-law had been laid with regard to parking vehicles within the area of the Sabha. But, action had not been taken to carry out a survey with a view to recover charges from Three Wheelers annually or periodically and register the Three Wheelers of the area and to fix parking places. Only an income of Rs.6,700 and Rs.6,400 respectively had been earned by registering 22 and 24 Three Wheelers during the years 2010 and 2011.

2.3.7 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.19,239,507.

2.3.8 Environmental Licence Fees

The type of industry for which the relevant licence was issued had not been mentioned in the Register of Environment Licence maintained by the Sabha. Further, according to the said register there were 251 and 198 applications respectively relating to the year 2011 and 2012 and the licence had been issued only for 121 and 60 applications respectively. Follow-up action had not been taken in respect of the rest of 268 places for which licence had not been issued or action had not been taken to find out whether unauthorized businesses are carried out in those places.

2.3.9 Entertainment Tax

A register had not been maintained for recovery of entertainment tax. A seal had been affixed on the entrance tickets and a deposit had been obtained relating to the shows; but the Sabha had not checked and prepared report on the relevant show or a report on tickets issued had not been obtained from the relevant applicant.

2.4 Surcharges

A sum of Rs.55,000 had been recoverable as at 31 December 2012 in respect of surcharges levied by me during the previous years against the persons responsible according to the provisions in the Pradeshiya Sabha Act No.15 of 1987.

2.5 Assets Management

A survey on land and buildings owned by the Sabha had not been carried out in terms of Rule 218 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988 and according to the financial statements the value of land and buildings as at end of the year under review amounted to Rs.44,849,371.

2.6 Human Resources Management

One out of 02 posts of Revenue Administrative Officers of the Sabha had been vacant and a person had been recruited for that post on commission basis. The post of Medical Officer of the Sabha also had been vacant and a Doctor had been recruited on substitute basis for that post.

2.7 Operating Inefficiencies

The following observations are made.

- (a.) The balance payable to the Local Government Pension Fund as at end of the year under review amounted to Rs.4,206,939 as the contributions payable to the said Fund had not been duly paid. Further, the said Fund had recovered a monthly installment of Rs.16,398; and the Sabha was not aware that the officers to whom the above recoveries are related to.

- (b.) The Sabha had collected charges on 04 weekly fairs owned by the Sabha. Nevertheless, a plan including the locations allocated to the traders in the fair and the recoverable there on had not been available with the Sabha in relation to the charges recovered.
- (c.) Provisions amounting to Rs.12,754,851 had been made for 63 jobs during the year under review under general funds. However, 27 jobs on which the amount provided was Rs.4,352,717 had not even been commenced during the year under review.

3. Systems and Controls

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

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